CNR No: PHHC010143492021
2026:PHHC:189191-DB

IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

CWP No.26997 of 2021 (O&M)

Paramvir Singh Gill

.....Petitioner

Versus

Principal Chief Commissioner of Income Tax, Chandigarh and others

.....Respondents

1.	The date when the judgment is reserved	12.10.2026
2.	The date when the judgment is pronounced	13.10.2026
3.	The date when the judgment is uploaded on the website	14.10.2026
4.	Whether only operative part of the judgment is pronounced or whether the full judgment is pronounced	Full
5.	The delay, if any, of the pronouncement of full judgment, and reasons thereof	Not applicable

CORAM : HON'BLE MR. JUSTICE DEEPAK SIBAL
HON'BLE MR. JUSTICE SUNISH BINDLISH

Argued by: Ms. Niharika Gupta, Advocate
for the petitioner.

Mr. Vaibhav Gupta, Junior Standing Counsel
for the respondent(s)-revenue.

DEEPAK SIBAL, J.

1. Through the instant petition the petitioner seeks issuance of directions to the respondents to grant interest on the delayed release of Rs.30 lakhs, requisitioned and seized under Section 132A of the Income-tax Act, 1961 (for short – "the Act").

2. The facts, in brief, are that on 27.12.2011, the petitioner, a school teacher, was travelling from Faridkot to Khanna in the State of

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Punjab. On the way he was intercepted by the Punjab Police. During the course of checking the police recovered Rs.30 lakhs in cash from the petitioner's car. On 27.12.2011 itself, the recovered cash was handed over by the Punjab Police to the income tax authorities at Ludhiana which cash, under Section 132A of the Act, was ordered to be seized. What followed were proceedings against the petitioner under Section 143 of the Act. These proceedings culminated through passing of an assessment order dated 20.03.2014 under Section 143(3) read with Section 153B (1)(b) of the Act through which no addition was made to the petitioner's already declared income for the relevant assessment year i.e. 2012-13. The assessment order dated 20.03.2014 attained finality. On 24.04.2014, the petitioner filed an application to the Chief Commissioner of Income Tax, Chandigarh seeking release of his seized cash but to no avail. On 05.08.2015 the petitioner then wrote to the Principal Commissioner of Income Tax, Ludhiana with the same prayer which had earlier not been responded to by the Chief Commissioner Income Tax, Chandigarh. Finally, it was on 15.01.2017 that the amount of Rs.30 lakhs, which had been seized from the petitioner on 27.12.2011, was released. The petitioner then approached the respondent-authorities for grant of interest on the delayed release of the seized cash but when his request was not responded to, he has knocked the doors of this Court through the instant petition.

SUBMISSIONS

3. Learned counsel for the petitioner submitted that a sum of Rs.30 lakhs belonging to the petitioner was requisitioned and seized by the respondent-income tax authorities on 27.12.2011; the possession of the

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seized cash was explained by the petitioner to the satisfaction of the respondent authorities leading to the passing of an assessment order dated 20.03.2014 in the petitioner's favour; on the delayed release of the seized cash, after the expiry of 120 days from such seizure till the date of passing of the assessment order dated 20.03.2014, the petitioner is entitled to interest under Section 132B(4) of the Act and in terms of the doctrine of restitution from the date of the assessment order till the actual release of the seized cash on 15.01.2017; the seized cash had been deposited by the respondents in the PD account of the Commissioner of Income Tax (Central), Ludhiana and the revenue had earned interest thereon; the petitioner had been deprived of his money for a period of more than five years i.e. from 27.12.2011 to 15.01.2017 and that the petitioner's repeated representations seeking interest had gone unanswered.

4. Learned counsel for the respondent-revenue admitted to the release of the seized cash to the petitioner along with interest in terms of Section 132B (4) of the Act, from 120 days after the date of seizing of the cash till the date of the passing of the assessment order, but opposed the grant of interest beyond the date of the assessment order on the ground that there was no provision in the Act on which either the petitioner could raise such claim or the respondent authorities could grant so. It was submitted that the department has not received any interest on the seized cash which was deposited in the PD account of the Commissioner of Income Tax (Central) and therefore, no question of grant of interest arises even on any principle of equity or fair play.

5. Learned counsel for the parties have been heard.

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6. On 27.12.2011, the petitioner, a school teacher, was going in his car from Faridkot to Khanna in the State of Punjab. The police intercepted the petitioner's car and on checking recovered a sum of Rs.30 lakhs in cash. The recovered cash was handed over by the police to the income tax authorities, who on 27.12.2011 itself, under Section 132A of the Act, requisitioned and seized the recovered cash. Proceedings against the petitioner under Section 143 of the Act followed. The petitioner explained the possession of the cash recovered from him which explanation was accepted by the respondent-authorities through passing of assessment order dated 20.03.2014 under Section 143(3) read with Section 153B (1)(b) of the Act. The assessment order dated 20.03.2014 attained finality. In spite of several representations made by the petitioner, before and after passing of the assessment order dated 20.03.2014, his request for release of the cash seized from him and for payment of interest for the time the seized cash was retained by the respondent-authorities, was not acceded to. Ultimately, the seized cash was released to the petitioner on 15.01.2017 but without any interest.

7. The question posed for our determination is as to whether the petitioner is entitled to payment of interest by the respondent-authorities on the delayed release of cash seized from him and if the answer to the said question is in the affirmative, at what rate and for which period?

8. To answer the afore question, it would be apposite to refer to Section 132B of the Act. The same reads as follows:-

> **"Application of seized or requisitioned assets** –.
>
> **132B.** (1) The assets seized under section 132 or requisitioned under section 132A may be dealt with in the following manner, namely:—

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(*i*) the amount of any existing liability under this Act, the Wealth-tax Act, 1957 (27 of 1957), the Expenditure-tax Act, 1987 (35 of 1987), the Gift-tax Act, 1958 (18 of 1958) and the Interest-tax Act, 1974 (45 of 1974), and the amount of the liability determined on completion of the assessment [under section 153A and the assessment of the year relevant to the previous year in which search is initiated or requisition is made, or the amount of liability determined on completion of the assessment under Chapter XIV-B for the block period, as the case may be] (including any penalty levied or interest payable in connection with such assessment) and in respect of which such person is in default or is deemed to be in default, may be recovered out of such assets:

[**Provided** that where the person concerned makes an application to the Assessing Officer within thirty days from the end of the month in which the asset was seized, for release of asset and the nature and source of acquisition of any such asset is explained] to the satisfaction of the Assessing Officer, the amount of any existing liability referred to in this clause may be recovered out of such asset and the remaining portion, if any, of the asset may be released, with the prior approval of the Chief Commissioner or Commissioner, to the person from whose custody the assets were seized:

Provided further that such asset or any portion thereof as is referred to in the first proviso shall be released within a period of one hundred and twenty days from the date on which the last of the authorisations for search under section 132 or for requisition under section 132A, as the case may be, was executed;

(*ii*) if the assets consist solely of money, or partly of money and partly of other assets, the Assessing Officer may apply such money in the discharge of the liabilities referred to in clause (*i*) and the assessee shall be discharged of such liability to the extent of the money so applied;

(*iii*) the assets other than money may also be applied for the discharge of any such liability referred to in clause (*i*) as remains undischarged and for this purpose such assets shall be deemed to be under distraint as if such distraint was effected by the Assessing Officer or, as the case may be, the Tax Recovery Officer under authorisation from the Chief Commissioner or Commissioner under sub-section (5) of section 226 and the Assessing Officer or, as the case may be, the Tax Recovery Officer may recover the amount of

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such liabilities by the sale of such assets and such sale shall be effected in the manner laid down in the Third Schedule.

(2) Nothing contained in sub-section (1) shall preclude the recovery of the amount of liabilities aforesaid by any other mode laid down in this Act.

(3) Any assets or proceeds thereof which remain after the liabilities referred to in clause (*i*) of sub-section (1) are discharged shall be forthwith made over or paid to the persons from whose custody the assets were seized.

(4) (*a*) The Central Government shall pay simple interest at the rate of [one-half per cent for every month or part of a month] on the amount by which the aggregate amount of money seized under section 132 or requisitioned under section 132A, as reduced by the amount of money, if any, released under the first proviso to clause (*i*) of sub-section (1), and of the proceeds, if any, of the assets sold towards the discharge of the existing liability referred to in clause (*i*) of sub-section (1), exceeds the aggregate of the amount required to meet the liabilities referred to in clause (*i*) of sub-section (1) of this section.

(*b*) Such interest shall run from the date immediately following the expiry of the period of one hundred and twenty days from the date on which the last of the authorisations for search under section 132 or requisition under section 132A was executed to the date of completion of the assessment [under section 153A or] under Chapter XIV-B.

[Explanation 1**]**.—In this section,—

(*i*) "block period" shall have the meaning assigned to it in clause (*a*) of section 158B;

(*ii*) "execution of an authorisation for search or requisition" shall have the same meaning as assigned to it in *Explanation 2* to section 158BE.]

[Explanation 2.—*For the removal of doubts, it is hereby declared that the "existing liability" does not include advance tax payable in accordance with the provisions of Part C of Chapter XVII.***]**

9. Section 132B (3) of the Act mandates that any asset or proceeds from seized / requisitioned assets that remain after discharging the tax liability must be forthwith made over or paid to the person from whose custody the assets were seized. Section 132B (4) provides that interest shall

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run from the date immediately following the expiry of the period of 120 days from the date on which the last of the authorization for search under Section 132 or requisition under Section 132A was executed to the date of completion of the assessment under Section 153A of the Act. Thus, the legislature provides for a period of 120 days to the income tax authorities to complete the assessment proceedings in search cases and that in case, after completion of the assessment proceedings, if no tax liability is found due towards the assessee, for forthwith release of the seized assets. For the afore period of 120 days no interest is provided but immediately thereafter interest is directed to run till the finalization of assessment. Apparently, the Parliament was mindful that in search cases seizure of the assessee's assets are likely to take place and therefore, assessment proceedings in these cases should be conducted promptly.

10. With regard to the petitioner's claim under Section 132B(4) of the Act, since the authorisation under Section 132A of the Act to requisition and seize the cash recovered from the petitioner was executed on 27.12.2011, the period of 120 days expired on 25.04.2012. Interest under Section 132B(4) of the Act would, therefore, run from 26.04.2012 till 20.03.2014, which was the date of completion of the assessment, at the rate prescribed in Section 132B(4)(a) of the Act i.e. one-half per cent for every month or part of a month.

11. So far as the petitioner's claim for payment of interest on the seized cash for the period after the passing of the assessment order dated 20.03.2014 till its actual release is concerned, the same cannot be denied for

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the reason that Section 132B or any other provision of the Act does not provide for the grant thereof.

Section 132B (3) of the Act clearly mandates the income tax authorities to forthwith release all seized assets to the assessee after completion of assessment proceedings and discharging of tax liability, if any, arising out of the search/seizure operation. In the case in hand, as per the assessment order dated 20.03.2014, on completion of the assessment proceedings conducted in pursuance to the seized cash, admittedly, no tax was found payable by the petitioner. Therefore, as per Section 132(B)(3) of the Act, on or after 20.03.2014, the cash seized from the petitioner should have been released "forthwith". However, the needful was done only on 15.01.2017. No explanation for the afore delay on the release of the seized cash has even been offered by the respondents. Thus, retention of the seized cash by the respondents authorities, after 20.03.2014, was contrary to Section 132B(3) of the Act. Such inaction on the respondents' part precluded the petitioner from using his property between 20.03.2014 and 15.01.2017. After 20.03.2014 the petitioner's seized cash could and should have not been retained by the respondent-authorities. There was no reason, in law or otherwise, to do so. For such inaction on the respondents' part, absence of any express provision in the Act providing for payment of interest on the seized cash after the passing of the assessment order would not absolve them from compensating the petitioner, especially when, on the completion of the assessment proceedings, no tax was found due towards the petitioner. In these facts, a Constitutional Court cannot shut its eyes and would be obliged,

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in the exercise of its writ jurisdiction, to direct the respondents to compensate the petitioner.

12. The afore view of ours finds support from the following observations by a Division Bench of the *Delhi High Court in Ajay Gupta Vs. Commissioner of Income Tax, 2007 SCC OnLine Del 526* :-

> "**7.**…….. it is Section 132B(4)(b) that is at the fulcrum of the conundrum. It clarifies that "interest shall run from the date immediately following the expiry of the period of one hundred and twenty days from the date on which the last of the authorisations for search under section 132 or requisition under section 132A was executed to the date of completion of the assessment under section 153A or under Chapter XIV- B". The period of 120 days (90 days upto September 30, 1984) was previously stipulated in Section 132(5) of the IT Act until its omission by the Finance Act 2002 with effect from 01.06.2002. Section 132(5) also prescribed that the remaining portion of the assets must be 'forthwith released' to the person from whose custody they were seized after satisfaction of the tax liability existing against such person. At that time, i.e. prior to the amendments brought about by the Finance Act 2002, Section 132B(4)(b) envisaged payment of simple interest at the rate of 15 per cent per annum on the retained money computed from the date immediately following the expiry of six months from the Order under sub- section (5) of Section 132. It is also worth emphasizing that seized assets for which a valid explanation has been furnished and which therefore do not partake of the nature of undisclosed income or assets cannot be retained even if there are outstanding tax-dues.
>
> 8. Since the Search was conducted on 02.07.2002, the petitioner has claimed interest commencing from the expiry of a period of 120 days thereof, i.e., 01.11.2002. It is noteworthy that the relevant provisions, i.e. Section 132B (4) make no reference to Section 244A on which reliance has been placed by learned counsel for the respondent in the course of his final arguments. We must take note of the fact that the Department has tendered interest of the sum of Rs.2,09,753/- calculated for the period 01.11.2002 to 30.07.2004, i.e. the date of the Assessment Order for the Block Period starting from 01.4.1996 to 01.7.2002. However, it has failed to pay interest from 01.08.2004 to 27.09.2004, for no justifiable reasons. Predicated on the said Assessment Order dated 30.07.2004, after deducting

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the income-tax and penalty from the seized sum of Rs. 33 lakhs, there was no further justification not to release the balance sum of Rs.17,33,529/- forthwith. In the event, this sum was actually released after some delay under cover of the Department's letter dated 27.09.2004. As has been noted above, interest at the rate of 0.66 per cent per month was tendered for the period 01-11-2002 upto 31-08-2003. It appears to us that this may have been for the reason that by virtue of the Taxation Laws (Amendment) Ordinance, 2003, subsequently cemented by the Taxation Laws (Amendment) Act, 2003, the rate of interest stood reduced to 0.5 per cent per month with effect from 08-09-2003. Accordingly, interest at the higher rate should have been calculated upto 08-09-2003. However, since this point had not been urged by the Petitioner, we leave the matter to rest.

9. In our opinion the purpose of stipulating the period of 120 days cannot be over-emphasised. What the statute expects is that where a Seizure has taken place consequent upon a Search, the decision declining to release or return the amount to the assessee must be taken with extreme expedition. This is evidently how the Department understood the provisions of the IT Act since it has itself computed interest commencing from the expiry of the said period of 120 days, that is, 01.11.2002. Perhaps it would have been logical for Parliament to clarify that if a decision to hold or withhold monies/assets discovered during a Search is not taken with the prescribed period of 120 days, interest would start to run from the date of the Seizure itself. Otherwise, granting a blanket moratorium for the period of 120 days loses logicality. This question has not been raised on behalf of the assessee and therefore we need not enter into an exercise of jural engineering to impart what, prima facie, appears to be a proper interpretation of the Section.

10. Section 132B(4)(a) imposes on the Central Government the liability to pay simple interest at a rate that has been varied from time to time, on the amounts which have been duly accounted for, together with the surplus amount for which no valid explanation is forthcoming after deduction or reduction of outstanding tax dues. Thereafter, Section 132 B(4)(b) specifies that interest under "Chapter C - Powers", being Sections 131 to 136, shall be payable for the period commencing from the 121st day after the last authorisation for the search upto the date of completion of the assessment relating to the Search. In the present case, since the petitioner has claimed interest only from the date on which the Search was conducted, we shall assume that that was also the day on which the last authorisation for the search was recorded. The following table will

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elucidate that the rate of interest payable in search cases was not always the same as interest payable on delayed refunds under Section 244A, to which our attention has been drawn by learned counsel for the Revenue:

Year	Section 132B(4)(a)	Section 244A
1989	15% p.a.	1.5% p.m.
1991	15% p.a.	1% p.m.
2001	15% p.a.	0.75% p.m.
2002	8% p.a.	0.66% p.m.
8-9-2003	6% p.a.	0.5% p.m.
2006	6% p.a.	0.5% p.m.

11. Even though the rate of interest payable under Section 132B (4) (a) and Section 244A is the same since 2002 there was a difference prior thereto. This was obviously for the reason that Parliament considered Search proceedings to be distinct from ordinary assessment proceedings. We have already observed that carrying out a Search is an invasion of the privacy of a citizen. It is for good reason that the IT Act imposes stringent safeguards and restrictions on the conduct of Searches. For these very reasons Parliament was mindful of setting down a comparatively short period of 120 days within which it expected summary proceedings relating to Searches to be completed. In fact this period has been successively reduced by Parliament, since Section 132B as originally inserted into the Act by Income Tax (Amendment) Act, 1965 specified the period to be six months. This period was thereafter reduced to 120 days by virtue of Finance Act, 2002. Obviously, Parliament is mindful of the fact that where assets and money belonging to a citizen are taken into custody by the Department consequent upon a search, a decision should be taken promptly as to what portion thereof is to be retained.

12. At first blush, therefore, in our understanding, it must logically be expected that the rate of interest payable under Section 132B(4) should be higher than that prescribed in other provisions, with the expectation that the component of interest would act as a deterrent to dilatory decision by the Department in the context of Searches. On further consideration, it is equally unacceptable for the revenue to drag its feet or create obstacles or delays for refunding monies to assessees. In fact, in Union of India through Commissioner of Customs (Import & General) vs. Honda Siel Cars India Ltd, MANU/DE/0258/2007, we have taken serious note of this deleterious and objectionable practice which has become rampant in the Department.

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Perhaps for this reason the Legislature has made the same rate of interest applicable to both eventualities. However, in this process the period separately carved out under Section 132B (4) has lost most of its significance. After careful cogitation it appears to us that it would be expedient to prescribe a higher rate of interest under Section 132B (4) than that prevailing for refunds under Section 244A. Further, Section 153B prescribes a period of two years for completion of assessment or reassessment by the Assessing Officer which vide the Finance Act, 2006 has been further reduced to a period of 21 months in those cases where the last of the authorisations for search under Section 132 was executed during the financial year commencing on the 1st day of April, 2004 or any subsequent financial year. This goes to show, yet again, the intent of the Legislature to impress upon the Department the need to deal with all Search and Seizure matters expeditiously."

13. To the same effect are the following observations, again by a Division Bench of the Delhi High Court, in *GL Jain Vs. Commissioner of Income Tax and others, 2012 SCC OnLine Del 4453* :-

"16. As far as the main claim with regard to the interest for the period after assessment is concerned, this Court is of the opinion that the calculation made out and the submissions of the income tax authorities in the course of these proceedings do not indicate any justification at all. Section-132 B (4) cannot be construed or interpreted in a manner as to defeat the rights of the assessee/writ petitioner to the property itself. The fact that it limits the liability to the point of time when assessment is completed would mean that authorities have to be alive of this fact and release the amount within reasonable time. The statute clearly did not envision the situation where the authority would cling on to a substantial amount. This after being asked to refund was without payment of interest. It is clear that the absence of an express provision does not absolve the liability; it only reinforces the restitutionary principle which Courts under Article- 226 of the Constitution of India are bound to enforce.

17. As far as adjustment of liability of Rs.33,72,907/- is concerned, this Court is of the opinion that the correctness of such action should be again gone into; the writ petitioner should be specifically given right of hearing and given further opportunity in this regard. The concerned AO shall, therefore, look into this matter and after hearing the writ petitioner,

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pass a speaking order as to the correctness of the tenability of the adjustment with regard to the amount of Rs.33,72,907/- which was made on 23.2.2007.

18. Having regard to the facts of this case and having considered the ratio of Sandvik Asia and Ajay Gupta's matters, this Court is of the opinion that the reasonable and equitable rate of interest having regard to the circumstances would be 12%.

19. In the light of the above discussion, the following directions are issued:-

> (i) The petitioner is entitled to interest for the period of 16 months on the total amount of Rs.92,82,700/- which works out to Rs.7,42,616/- after adjusting the sum of Rs.4,72,783/- paid on 11.5.2012. The balance shall be paid over to the writ petitioner within a period of four weeks.
> (ii) The petitioner is entitled to interest @ 12 % p.a. on the balance sum of Rs.59,09,793/- for the period 1.3.2007 till 1.3.2011. These amounts shall be paid over to the petitioner within six weeks from today.
> (iii) The concerned AO/Commissioner shall give a hearing to the petitioner with regard to the adjustment made under Section-132 B (1) (i) in respect of the sum of Rs.33,72,907/- by order dated 23.02.2007 and make a speaking order within two months from today."

14. The plea of the respondents that since the department did not earn any interest on the seized cash, which had been deposited in the PD account of the Commissioner of Income Tax (Central), the petitioner is not entitled to any interest is untenable. Interest, in such circumstances, is the compensation payable to the person who has been deprived of the use of his money and the entitlement thereto is to be judged from the standpoint of the person so deprived and not on the basis of whether the authority retaining the money has gained from such retention. Whether or not the respondents chose to put the seized cash to profitable use was a matter entirely within their own domain and the petitioner cannot be made to suffer on that account.

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15. That leaves us to determine the rate of interest payable to the petitioner for the period subsequent to the passing of the assessment order. In GL Jain's case (supra), the Delhi High Court, in the facts of that case, considered interest @ 12% per annum to be reasonable and equitable. In the present case, however, we are of the view that it would be just and appropriate to grant interest to the petitioner for such period at the same rate as is prescribed under Section 132B(4)(a) of the Act i.e. one-half per cent for every month, which works out to 6% per annum. Such rate would place the petitioner, for the period after the passing of the assessment order, in the same position in which he would have been had the statute itself provided for interest for such period.

16. No other ground was urged before us. Accordingly, no further issue arises for our consideration in the present case.

17. In the light of the above discussion, the following directions are issued:-

i) the petitioner is held entitled to interest in terms of Section 132B(4) of the Act on Rs.30 lakhs after 120 days from the date of authorization of requisition and seizure i.e. from 26.04.2012 till the date of passing of the assessment order dated 20.03.2014;

ii) the petitioner is also held entitled to interest @ 6% per annum on Rs.30 lakhs from the date of the assessment order i.e. 21.03.2014 till the date of actual release of the seized cash on 15.01.2017 and that

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iii) the needful be done by the respondents authorities within four weeks from the date of receipt of a copy of this order.

18. The writ petition is allowed in the above terms.

(DEEPAK SIBAL)
JUDGE

13.10.2026 **(SUNISH BINDLISH)**
gk / sunil yadav **JUDGE**

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

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