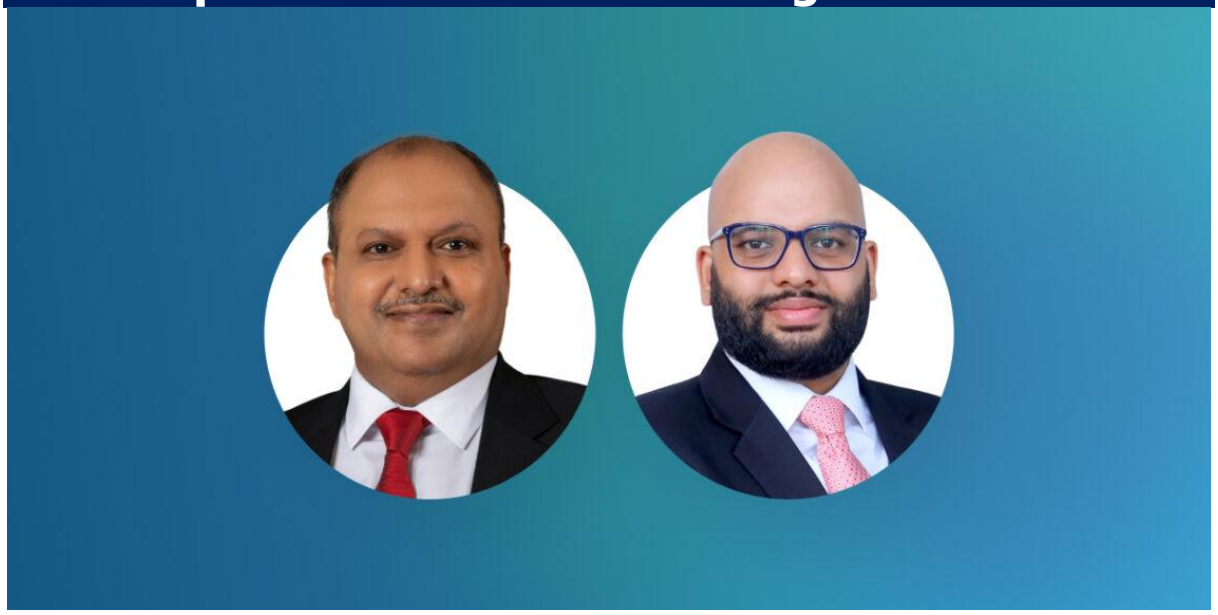
10 Important White-Collar Judgments of 2025



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Introduction

The year 2025 saw some of the most talked about rulings in white collar crime, where the Supreme Court shaped how our criminal justice system looks at economic offences, money laundering, bail rules and the rights of accused persons caught up in complex investigations. These top 10 judgments show how Courts are trying to strike a balance between strong enforcement on one side and fair trial rights on the other. From expanding access to documents in PMLA cases to checking illegal arrests, the Courts dealt with wide-ranging legal issues that affect investigators and the accused alike.

I. PMLA Judgments

Sarla Gupta vs. Enforcement Directorate (2025) 7 SCC 626

In ***Sarla Gupta***, the Supreme Court held that an accused under the Prevention of Money Laundering Act, 2002 ("**PMLA**") has the right to get not just the documents the Directorate of Enforcement ("**ED**") relies upon, but also the other documents and statements collected during the investigation. The ED may refuse only if giving them out will impede an ongoing investigation, but once the investigation is over, they can't keep holding them back on that excuse.

This judgment enables an accused under the PMLA to seek copies of relevant documents which are not relied upon at an appropriate stage of proceedings under the PMLA. The Court has balanced the rights of an accused with the negative burden imposed by the PMLA, ensuring that the right to free and fair trial guaranteed under Article 21 is not hampered.

Brief Facts

The appellants filed an application under Section 207 of the Code of Criminal Procedure, 1973 ("**CrPC**") *inter alia* seeking copies of documents which were not relied upon by the

prosecution. The trial Court and the Delhi High Court rejected the appellants' application on the ground that at the stage of framing of charges, the prosecution is under an obligation to supply only those documents which were referred to and relied upon in the prosecution complaint. Aggrieved, the accused filed appeals before the Supreme Court.

The main grievance was that depriving the accused of knowledge of unrelied documents, some of which might be exculpatory, violated Article 21 of the Constitution. They argued that when the PMLA imposes a reverse burden under Section 24, the defence must at least know what documents exist with ED so they may seek production at the right stage. The ED raised an objection that the accused cannot demand general inspection and must show relevance of any specific document. The ED also argued that supplying all materials may delay trial.

Observations

The Supreme Court held that a copy of the list of statements, documents, material objects and exhibits that are not relied upon by the investigating officer must also be furnished to the accused. The object is to ensure the accused has knowledge of what exists so he can seek their production under Section 91 of the CrPC (now Section 94 of the Bharatiya Nagarik Suraksha Sanhita, 2023 ("**BNSS**")).

The Supreme Court held as follows:

(a) When records, instruments or documents of title of the property are seized along with the property under Sections 17 and 18 of the PMLA, the accused from whom the same are seized is entitled to true copies thereof;

(b) Once cognizance is taken on the basis of a complaint under Section 44(1)(b) of the PMLA, the learned Special Judge must direct that along with the process, a copy of the complaint and the following documents be provided to the accused:

  (i) Statements recorded by the learned Special Judge of the complainant and the witnesses, if any, before taking cognizance;

  (ii) The documents including the copies of the Statements under Section 50 of the PMLA produced before the Special Court, along with the complaint, and the documents produced subsequently by the ED till the date of taking cognizance; and

  (iii) Copies of the supplementary complaints and the documents, if any, produced with supplementary complaints.

(c) A copy of the list of documents which are not relied upon by the prosecution, has to be provided to the accused so that the accused can file an application for production thereof at an appropriate stage.

(d) At the stage of framing of charge, an accused would not be entitled to seek copies of those documents which are not relied upon by the ED.

(e) When entering upon defence, the accused may move an application under Section 233(3) of the CrPC (Section 256(3) of the BNSS) seeking process for production of any document or thing. This includes material in the custody of the prosecution but not produced. The right to a fair trial under Article 21 includes the right to lead defence

evidence and compel production of documents. The Court may refuse such request only on the limited grounds specified in Section 233(3).

(f) When at the stage of defence evidence of the accused, documents are produced on the prayer of the accused and the accused desires to cross-examine any of the prosecution witnesses based on the said documents, it is always open for the accused to apply under Section 311 of the CrPC (Section 348 of the BNSS) to recall a prosecution witness already examined for further cross-examination. The reason is that the right to effectively cross-examine the prosecution witnesses is also a part of the right to have a fair trial.

(g) Given the heavy burden imposed on an accused under the PMLA, Section 233(3) of the CrPC (Section 256(3) of the BNSS) must be interpreted liberally in favour of the accused. Since Section 24 PMLA places a presumption against the accused, the opportunity to rebut that presumption must be fully preserved. Refusal to summon witnesses or documents would hinder the accused's ability to discharge this burden. The right under Section 233(3) needs to be protected.

(h) At the time of hearing of an application for bail governed by Section 45(1)(ii) in connection with the offences under Section 3 of the PMLA, an accused is entitled to invoke Section 91 of the CrPC (Section 94 of the BNSS) seeking production of unrelied upon documents. If investigation is ongoing, ED may object on the ground that disclosure would prejudice the investigation. The Court may deny disclosure only if, on examining the documents, it is satisfied that disclosure will indeed prejudice the ongoing investigation.

The Supreme Court set aside the ruling of the Delhi High Court and allowed the appeals, holding that the accused is entitled to the documents produced along with the complaint under Section 44(1)(b).

Enforcement Directorate vs. Subhash Sharma [2025 SCC OnLine SC 240]

In ***Enforcement Directorate vs. Subhash Sharma***, the Supreme Court held that Section 57 of the CrPC, which embodies the mandate of Article 22(2), applies to PMLA proceedings through Section 65 of the PMLA, as there is no inconsistency between the two statutes. The Court observed that when an arrest violates constitutional safeguards (eg. the requirement to produce the arrestee before a magistrate within 24 hours under Article 22(2)), the arrest becomes illegal, the detention stands vitiated, and the accused must be released on bail irrespective of the twin conditions under Section 45 of the PMLA.

Brief Facts

The ED issued a Look Out Circular (LOC) against Subhash Sharma. On 04.03.2022, the Bureau of Immigration detained him at 6 pm at IGI Airport, New Delhi, while executing the LOC. The High Court recorded that Sharma remained in custody on behalf of ED. The ED formally took physical custody of him at 11:00 am on 05.03.2022. Despite this, the ED showed his arrest as having occurred only at 01:15 am on 06.03.2022 at Raipur, where he was later produced before the Magistrate at 3 pm on 06.03.2022. The High Court held that the ED had violated constitutional requirements by failing to produce him before the nearest Magistrate within 24 hours from actual custody, and granted him bail.

The ED challenged this before the Supreme Court, arguing that the 24-hour period should be computed from the time mentioned in the arrest memo (01:15 am on 06.03.2022), not from his detention at IGI Airport.

Observations

The Supreme Court accepted the factual findings of the High Court. It held that once the Bureau of Immigration detained the respondent under the LOC at the instance of the ED, the detention was attributable to the ED. The Court noted that the ED admittedly took physical custody of him at 11:00 am on 05.03.2022, and therefore the 24-hour constitutional clock started from that moment.

The Supreme Court also noted that the arrest memo was typed in advance and the date and time of arrest were left blank and later filled in by hand. The respondent was not produced before the nearest Magistrate within 24 hours from 11:00 am on 05.03.2022. The Court in clear terms held that the arrest of the respondent was rendered completely illegal as a result of the violation of Article 22(2) of the Constitution of India.

The Supreme Court clarified that Section 57 of the CrPC, which incorporates the requirement of Article 22(2), applies to PMLA proceedings by virtue of Section 65 of the PMLA. There is no inconsistency between the PMLA and CrPC in this regard.

The Supreme Court reiterated that when a Court finds that the fundamental rights of an accused have been violated during or after arrest, it is the Court's duty to release the accused on bail. The illegality of the arrest vitiates the detention, and bail cannot be denied based on the twin conditions under Section 45 of the PMLA.

The Supreme Court dismissed the appeal, finding no error in the High Court's order granting bail to the respondent.

Union of India vs. Kanhaiya Prasad [2025 INSC 210]

In *The Union of India through the* ***Assistant Director vs. Kanhaiya Prasad***, the Supreme Court set aside the Patna High Court's order which had granted bail to the accused in a money-laundering case. The Court said that when dealing with bail under the PMLA, the Courts cannot take a casual or loose approach, and granting bail through short, cryptic orders without looking at the strict conditions under Section 45 of PMLA is not proper.

The ED, appearing for the Union of India, had challenged the High Court's decision releasing Kanhaiya Prasad on bail. The Division Bench of Justice Bela M. Trivedi and Justice Prasanna B. Varale noted that the High Court did not examine the mandatory twin-conditions under Section 45. The Court recorded that the High Court had "utterly failed" to satisfy itself whether there were reasonable grounds to believe that the accused was not guilty of the offence, and whether he was not likely to commit any offence while on bail.

Brief Facts

As per the case put forward by the appellant-ED, nearly twenty FIRs came to be lodged at different Police Stations in Patna, Saran and Bhojpur districts. These FIRs were under Sections 38, 120B, 378, 379, 406, 409, 411, 420, 467, 468 and 471 of the IPC, along with Section 39(3) of the Bihar Mineral (Concession, Prevention of Illegal Mining, Transportation & Storage) Rules, 2019. The allegation was that M/s Broad Son Commodities Pvt. Ltd. and its Directors

were indulging in illegal mining and selling sand without using the required pre-paid departmental E-challan issued by the Mining Department. Because of this, the State Exchequer allegedly suffered a revenue loss of about Rs.161,15,61,164. These FIRs also contained Scheduled Offences under Section 2(1)(y) of the PMLA, so investigation for the offence of money-laundering also started.

During the probe, it was found that the respondent-accused had a role in concealing and holding proceeds of crime worth around Rs.17,26,85,809. These amounts were stated to have been used for renovation of a resort in Manali as well as construction of a school belonging to his trust. The prosecution alleged that the respondent had layered and laundered the proceeds of crime generated by his father, who was said to be part of a syndicate involved in illegal sale of sand through a hawala network. On these materials, the PMLA Court took cognizance.

The respondent then moved an application before the High Court seeking regular bail in connection with the Prosecution Complaint. The High Court, by the impugned order, allowed the bail application.

Observations

The Supreme Court observed that under Section 24 of the PMLA, the burden of proof lies on the accused to establish that the property or proceeds in question are not involved in money laundering. The Court held that once the prosecution establishes the basic facts, the presumption of guilt arises, and it is for the accused to rebut this presumption through credible evidence.

With respect to Section 45, the Court reiterated that money laundering is not an ordinary offence but one that has far-reaching implications, including transnational impact on financial systems, sovereignty, and national integrity. The Court emphasized that bail in money laundering cases cannot be granted casually or through cryptic orders. It reaffirmed that the twin conditions: (i) reasonable grounds for believing that the accused is not guilty, and (ii) satisfaction that the accused is not likely to commit any offence while on bail, are mandatory and must be applied even when bail is sought under Section 439 of the Code of Criminal Procedure. Any bail order ignoring these statutory conditions is legally unsustainable.

The Court clarified that money laundering constitutes an independent offence under the PMLA, distinct from the predicate offence. Therefore, a person can be summoned under the PMLA even if not named or involved in the scheduled offence. It further held that the protection under Article 20(3) of the Constitution against self-incrimination does not extend to statements recorded under Section 50 when a person is summoned as a witness, since no formal accusation exists at that stage.

The Supreme Court allowed the appeal filed by the ED, set aside the High Court's bail order, and remanded the case for fresh consideration by a different bench. The Court observed that failure to comply with the mandatory requirements of Section 45 renders any bail order invalid. It directed that Courts must strictly apply these provisions in light of the serious nature and far-reaching consequences of money laundering offences.

Pradeep Nirankarnath Sharma vs. Enforcement Directorate [2025 SCC OnLine SC 560]

In the case of ***Pradeep Nirankarnath Sharma***, the Supreme Court held that offences under the PMLA are of a continuing nature, and the act of money laundering does not conclude with

a single instance but extends so long as the proceeds of crime are concealed, used, or projected as untainted property.

Brief Facts

The case concerned allegations against retired IAS officer Pradeep Nirankarnath Sharma, who served as the District Collector of Kachchh-Bhuj when a Non-Agricultural (NA) Permission was granted for a parcel of government land. The prosecution alleged that he dishonestly exercised his official powers to allot the land to a co-accused at a price far below its actual value. It was further alleged that he enabled illegal conversion of land use from non-agricultural to residential, causing substantial loss to the State exchequer. According to the ED, these acts generated proceeds of crime which were subsequently concealed, layered and projected as untainted through various financial channels. The ED registered an ECIR on the basis of two earlier FIRs of 2010 involving offences under the IPC and the Prevention of Corruption Act. Sharma was arrested on 31.07.2016, and after investigation, a complaint under Sections 3 and 4 of the PMLA was filed. The accused sought discharge on the grounds that the predicate offences were not part of the Schedule to the PMLA at the relevant time; that the acts did not constitute a continuing offence; and that the alleged amount did not cross the monetary threshold then prescribed.

The Special Judge rejected the discharge application on 08.01.2018 after observing that the material collected during investigation prima facie indicated the appellant's involvement in hawala transactions and possession of proceeds of crime. The Court noted that the appellant failed to discharge the burden under Section 24 of the PMLA and held that the material on record justified proceeding against him for serious economic offences.

The appellant challenged this order before the High Court. The High Court, through its order dated 14.03.2023, dismissed the revision. It held that the material relied upon by the ED disclosed prima facie involvement of the appellant in the laundering activity. Aggrieved by this decision, the appellant approached the Supreme Court in appeal.

Observations

The Supreme Court held that the allegations disclosed a continuing offence under Section 3 of the PMLA. It observed that money-laundering continues so long as the proceeds of crime are held, used, concealed or projected as clean, and therefore the timing of the scheduled offence or a single act in the past cannot extinguish liability. The Court placed reliance on ***Vijay Madanlal Chaudhary and others vs. Union of India*** [(2023) 12 SCC 1], wherein it was held that *"It would be an offence of money laundering to indulge in or to assist or being party to the process or activity connected with the proceeds of crime; and such process or activity in a given fact situation may be a continuing offence, irrespective of the date and time of commission of the scheduled offence.*"

The Supreme Court found that the material on record indicated misuse of official position, financial transactions linked to proceeds of crime, and utilisation of tainted assets, showing that the offence extended the offence into the present. It observed that "*money-laundering is not a static event but an ongoing activity, as long as illicit gains are possessed, projected as legitimate, or reintroduced into the economy.*"

On the monetary threshold, the Supreme Court held that the aggregate value of the alleged proceeds, running into crores through forged land allotments, hawala operations, and illegal gratification, far exceeded the statutory limit. It clarified that the threshold must be assessed

on the totality of transactions and not on isolated sums. Given the gravity of the accusations, financial manipulation, breach of trust, and large-scale loss to the State, the Supreme Court held that discharge at this stage would be contrary to the scheme of the PMLA. Accordingly, it dismissed the appeal.

Kushal Kumar Agarwal vs. Enforcement Directorate [2025 SCC OnLine SC 1221]

In ***Kushal Kumar Agarwal,*** the Supreme Court held that before a cognizance is taken of the offence of money laundering under the PMLA, the accused must be given an opportunity to be heard, a right created by the proviso to Section 223(1) of the BNSS.

Brief Facts

The ED filed a complaint under Section 44(1)(b) of the PMLA on 2 August 2024, naming the appellant, Kushal Kumar Agarwal, as an accused. By that time, the BNSS had already come into force on 1 July 2024. The case was placed before the Special Judge (PC Act/CBI/Coal Block Cases) at Rouse Avenue. The Special Court proceeded to take cognisance of the complaint by order dated November 20, 2024, without affording the appellant an opportunity for advance hearing.

The appellant challenged this order, arguing that Section 223(1) of BNSS now makes a pre-cognisance hearing mandatory, which did not exist under Section 200 of the CrPC earlier. Since the PMLA complaint was filed after 1 July 2024, the appellant submitted that the Special Court was bound to comply with the new proviso. The matter thus reached the Supreme Court in this appeal.

Observations

The Supreme Court held that for any complaint filed under Section 44(1)(b) of the PMLA after 1 July 2024, the procedure under Section 223 of the Bhartiya Nagarik Suraksha Sanhita, 2023 applies, and cognizance cannot be taken unless the accused is first given an opportunity of being heard. Failure to provide such hearing renders the cognizance order invalid. The Apex Court observed that "*The proviso to sub-section (1) of Section 223 puts an embargo on the power of the Court to take cognizance by providing that no cognizance of an offence shall be taken by the Magistrate without giving the accused an opportunity of being heard".*

The Supreme Court relied on its judgment in *Tarsem Lal vs ED,* which had held that Sections 200-204 of the CrPC would apply to the PMLA and proceeded to hold that the corresponding Sections 223-226 of the BNSS are also applicable to the PMLA.

It was admitted that the Special Judge did not give the appellant any such opportunity. On that short point alone, the Supreme Court held that the cognizance order dated 20 November 2024 must be set aside.

Summoning Advocates who give legal opinion or represent parties during investigation of cases and related issues, In re [2025 SCC OnLine SC 2320]

The Supreme Court, in *Summoning Advocates who give legal opinion or represent parties during investigation of cases and related issues, In re* clarified the limits of investigative authority vis-à-vis the statutory and constitutional protection of advocate-client privilege. The Supreme Court held that an advocate cannot be summoned merely because they have advised or represented a client, unless one of the specific statutory exceptions under Section 132 of

the Bharatiya Sakshya Adhiniyam, 2023 ("**BSA**") is clearly established. The judgment harmonises the investigative powers under the BNSS with the independence of the legal profession, recognising that confidentiality between lawyer and client is integral to the administration of justice. The Supreme Court grounded advocate-client privilege within Articles 19(1)(g), 21 and 22(1) of the Constitution and confirmed that professional communications between an advocate and a client are part of the constitutional right to counsel and fair process.

Brief Facts

An advocate in Gujarat was issued a notice under Section 179 of BNSS by the police. The notice asked him to appear and explain certain "facts and circumstances" relating to an FIR in which he had represented the accused for bail. The FIR was registered for offences under the BNS, the Gujarat Money-Lenders Act and the SC/ST Act.

The lawyer had only appeared for the accused in a regular bail petition, and the bail was allowed. Later, the investigating officer summoned him, treating him as a witness. He challenged the notice before the Gujarat High Court. The High Court dismissed his plea, holding that he didn't cooperate with the notice and there was no violation of his rights.

When the matter reached the Supreme Court, the Bench noted that the real issue was larger: whether the police can summon lawyers merely because they advised or represented someone, and whether there should be a safeguard when the police believe the lawyer has crossed the boundary of professional conduct. Several Bar Associations intervened, saying the notice was an attack on advocate-client privilege and independence of the profession.

Observations

The Supreme Court held that an advocate cannot be summoned only because they represented a party or gave legal advice. The Court observed that Section 132 of BSA gives strong protection to professional communications. This privilege has a constitutional angle under Articles 19(1)(g), 21 and 22(1). The lawyer's duty of confidentiality exists to protect the client and also to prevent the lawyer from being put under pressure by the State.

The Court explained that privilege can be lifted only in narrow cases: when communication is for an illegal purpose, when the lawyer learns of a crime or fraud after engagement, or when the client expressly consents. Even then, the investigating officer must record reasons in writing and get prior approval from a senior officer not below the rank of Superintendent of Police. Any summons issued without following these steps is unlawful.

The Court also clarified related issues: documents can be summoned but not privileged communication; digital devices can be examined only under strict safeguards; and in-house counsels, being full-time employees, cannot claim statutory advocate-client privilege though their communication is still covered by confidentiality.

The main takeaway is that advocates cannot be summoned merely because they represented or advised their clients; summons can be issued only in rare exceptions spelled out in Section 132 of BSA and with prior SP-level approval.

II. PC Act Judgments

State of Karnataka vs. T.N. Sudhakar Reddy [2025 INSC 229]

In ***State of Karnataka vs. T.N. Sudhakar Reddy***, the Supreme Court held that a preliminary inquiry is not mandatory before registering an FIR against a public servant under the Prevention of Corruption Act, 1988 ("**PC Act**") when the information placed before the authority discloses a cognizable offence. The accused has no right to insist on such an inquiry. A detailed source information report may serve the limited purpose of a preliminary inquiry.

Brief Facts

A source information report was submitted on 10.11.2023 by a Police Inspector. After examining the material, the Superintendent of Police passed an order asking the Deputy Superintendent of Police to register a case under Section 13(1)(b) read with Section 13(2) and Section 12 of the PC Act. An FIR was registered the same day.

The respondent challenged the FIR by filing a petition under Section 482 of the CrPC before the High Court, seeking quashing of the FIR. The High Court allowed the petition and quashed the FIR. Aggrieved by this, the State preferred an appeal before the Supreme Court.

The State argued that the High Court was wrong in insisting on a preliminary inquiry. It submitted that when the source information itself discloses a cognizable offence under the PC Act, a preliminary inquiry is not mandatory. It was further contended that the source information report prepared by the Inspector served the purpose of a preliminary inquiry.

Issues

1. Whether a preliminary inquiry is mandatory before registering an FIR against a public servant under the PC Act.

2. Whether a source information report can substitute for a preliminary inquiry in corruption cases.

Observations

The Supreme Court noted that Section 154 of the CrPC requires that information relating to a cognizable offence be reduced to writing by the officer in charge. Reading Section 36 with Section 154, the Court said that if the officer in charge can order registration of an FIR, then superior officers, such as the Superintendent of Police, can also direct registration of an FIR.

The Supreme Court held that a proper reading of the PC Act and the CrPC shows that the Superintendent of Police is competent to direct registration of an FIR if he receives information about a cognizable offence under the PC Act. He may also direct the Deputy Superintendent of Police to register the FIR, with the understanding that the investigation will be subject to Section 17 of the PC Act.

The Supreme Court referred to ***Kailash Vijayvargiya vs. Rajlakshmi Chaudhuri*** (2023), reiterating that there is no discretion with the police to refuse registration of an FIR when information shows the commission of a cognizable offence. The Court found that the High Court erred in holding that the SP must first have the FIR registered and only later issue orders for investigation.

The Supreme Court clarified that Section 17 of the PC Act deals only with investigation, not registration of the FIR. It does not restrict the basic duty of the police to record and register information disclosing a cognizable offence. The Court therefore set aside the High Court's judgment and restored the FIR under Sections 13(1)(b), 12, and 13(2) of the PC Act.

P. Shanthi Pugazhenthi vs. State [AIR 2025 SC 3007: 2025 INSC 674]

The Supreme Court, in ***P. Shanthi Pugazhenthi,*** examined how far a person who is not a public servant can be drawn into liability under the PC Act. The central issue was whether a private individual may be prosecuted for assisting a public servant in holding assets that are disproportionate to his known sources of income. The Supreme Court held that an offence under Section 13(1)(e) of the PC Act can also be abetted by any person who is not a Public Servant.

Brief Facts

The case arose from an FIR registered in June 2009 against the appellant's husband, a Divisional Manager in United India Insurance Co. Ltd. During the investigation, searches were conducted at the residence of the appellant and her husband. Documents recovered showed several movable and immovable properties in their names. A second FIR was registered under Section 13(1)(e) read with Section 13(2) of the PC Act alleging that between 1 September 2002 and 16 June 2009, the husband had acquired assets disproportionate to his known income.

A chargesheet was later filed against both accused. The husband was charged under Section 13(1)(e) read with Section 13(2) of the PC Act, and the appellant was charged under Section 109 IPC read with the same provisions for abetment. The Trial Court held that disproportionate assets worth Rs. 37,98,752 were accumulated during the check period, many of them in the appellant's name. It convicted the appellant for abetment and sentenced her to one year of rigorous imprisonment. The High Court affirmed the conviction, holding that the explanations offered did not remove the large extent of disproportionality.

Issue

Can a non-public servant be convicted for abetting offences under the PC Act, specifically for assisting a public servant in acquiring disproportionate assets?

Observations

The Supreme Court examined whether a non-public servant can be convicted for abetting the offence under Section 13(1)(e) of the PC Act. Relying on ***P. Nallammal vs. State***, (1999) 6 SCC 559, the Court noted the settled position that a non-public servant may be guilty of abetting this offence.

The Court held that the appellant's role in allowing properties acquired through disproportionate income to be held in her name clearly indicated facilitation. It did not matter that she was no longer married to the co-accused or that she herself was a public servant. What mattered was that she assisted in concealing assets that were not supported by known income sources.

The Court concluded that the concurrent findings of the Trial Court and the High Court were correct. It upheld the conviction under Section 109 IPC read with Sections 13(1)(e) and 13(2) of the PC Act. The appeal was dismissed.

Dileepbhai Nanubhai Sanghani vs. State of Gujarat [2025 INSC 280]

In ***Dileepbhai Nanubhai Sanghani,*** the Supreme Court observed that the presumption under Section 20 of the PC Act cannot arise on the mere allegation of a demand and acceptance of illegal gratification as rightly pointed out by the appellant. The question of presumption does not arise in the present case where the Special Court had merely examined the complainant and also summoned three witnesses, the officers of the investigation team, under Section 311 of the CrPC for the purpose of recording their statements.

Brief Facts

The appellant, Dileepbhai Nanubhai Sanghani, was a former Minister in the Gujarat Government. He was accused of having granted fishing contracts in State reservoirs without the usual tender process. It was alleged that this was done to favour some persons for illegal gratification. The complainant, who was in the fish trade, challenged the direct allotments before the Gujarat High Court. The High Court cancelled those grants and directed the State to redo the process by proper tender.

Thereafter, the same complainant filed allegations of corruption against the Minister and some other officials. This resulted in criminal proceedings under Sections 7, 8, 13(1)(a), 13(1)(d) and 13(2) of the PC Act.

The appellant moved a section 482 petition under the CrPC alleging there was no proof at all of bribery or undue benefit to private parties. He stated the fishing rights were given at a fixed upset price to help the Padhar Adivasi community and this was part of an approved government policy. Even the investigation report, he argued, showed no evidence of bribe or illegal advantage. However, the High Court dismissed the 482 petition, holding there was a prima facie case.

Observations

The Supreme Court observed that proof of demand (or offer) and acceptance of illegal gratification is a fact in issue and a sine qua non for offences under Sections 7 and 13 of the PC Act. The Court noted that the presumption under Section 20 of the PC Act cannot arise merely on allegations of demand and acceptance. There must first be reliable evidence showing both those facts.

The Supreme Court pointed out that in this case the Special Court had only examined the complainant and summoned three investigating officers under Section 311 of the CrPC, and nothing in the materials disclosed any demand, acceptance or obtaining of bribe by the appellant.

The Supreme Court relied on the Constitution Bench judgment in ***Neeraj Dutta vs. State (NCT of Delhi)***, where it was held that a presumption can arise only when foundational facts of demand and acceptance are proved through proper oral or documentary evidence. Without such foundational proof, no presumption can be drawn.

The Supreme Court also remarked that here the only allegation was about misuse of authority, and misuse of authority by itself does not fall under the PC Act unless tied to demand or receipt of illegal gratification.

State of Lokayuktha Police, Davanagere vs. C.B. Nagaraj [2025 INSC 736]

In ***State of Lokayuktha Police, Davanagere vs. C.B. Nagaraj,*** the Supreme Court has held that where demand itself is not proved beyond reasonable doubt, the presumption under Section 20 of the PC Act cannot be invoked. Mere recovery or payment of tainted money is not sufficient to convict a public servant. The entire chain of demand, acceptance and recovery must stand proved.

Brief Facts

The respondent, C.B. Nagaraj, was working as an Extension Officer in the Taluka Panchayat Office, Davanagere. The complainant, E.R. Krishnamurthy, had applied for a Validity Certificate for Category–II A reservation. For this purpose, a spot inspection report had to be made by the respondent.

The complainant stated that when he met the respondent in the office on 07.02.2007 at around 12.30 PM, the respondent demanded ₹1500 for forwarding the inspection report. The complainant said he didn't have money, so he went to Lokayuktha Police and a trap was planned.

Later the same day, around 5.30 PM, the complainant again met the respondent. The prosecution's case was that the respondent accepted the tainted currency notes. The trap team seized the notes and the respondent's hand-wash turned pink in sodium carbonate solution.

The Trial Court convicted the respondent under Sections 7 and 13(1)(d) r/w 13(2) of the PC Act, holding that demand and acceptance were proved. However, the Karnataka High Court set aside the conviction mainly on the ground that demand was not proved properly.

The State filed appeal before the Supreme Court challenging the acquittal.

Observations

The Supreme Court noted that except for the complainant's own statement, no witness clearly proved the demand for bribe. PW-2's evidence was shaky and at places contradictory. Importantly, the complainant first denied that any spot inspection happened on 05.02.2007, but when confronted, he admitted the report and his own signatures. This made his evidence doubtful.

The Court also noticed that by the time the complainant met the respondent at 5.30 PM, the respondent had already forwarded the file. So there was no reason for the complainant to still pay any money for a work already completed. This created a serious doubt about the prosecution story.

The Court held that demand is a mandatory and foundational requirement for offences under the PC Act. Even if acceptance and recovery are shown, without proving demand, the entire chain fails. The Court stated that the presumption under Section 20 of the PC Act does not

arise unless demand is first proved. Since demand itself was doubtful, the presumption could not be used to convict the respondent.

The Supreme Court upheld the acquittal by the High Court, observing that the testimony of the complainant was unreliable and the benefit of doubt must go to the accused.

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