

Supreme Court Stays ED Probe into TASMAL

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Federalism and Overreach of Central Agencies Latest News

- The Supreme Court of India has **stayed** the Enforcement Directorate's (ED) **ongoing probe** into alleged financial irregularities within the Tamil Nadu State Marketing Corporation (TASMAL), the state-run liquor monopoly.
- This is a significant development with implications for **federalism, corruption investigations, and political rivalry**.

SC's Intervention

- **Stay on ED proceedings:**
 - A two-judge bench led by Chief Justice of India B R Gavai and Justice A G Masih stayed the ED's **money laundering investigation** against TASMAL.
 - The court observed that ED's actions were "**violating the federal structure**" and that the agency was "**crossing all limits.**"
- **Key judicial observations:**

- CJI questioned the **very premise of lodging a criminal offence** against a corporation.
- Criticism was directed at ED for **overstepping its jurisdiction** into state matters.

Background of TASMAC and ED Investigations

- **TASMAC overview:**
 - TASMAC **operates ~7,000 liquor outlets** in Tamil Nadu.
 - Functions as a state monopoly in alcohol retail.
- **Initiation of probe:**
 - ED probe **based on 41 FIRs** by Tamil Nadu Vigilance Department (from 2014 onward).
 - Allegations included **corruption** under the **Prevention of Corruption Act, 1988**.
 - **ED actions: Conducted searches** at 20 locations including TASMAC HQ in Chennai, under the Prevention of Money Laundering Act, 2002 (**PMLA**).

Allegations and Findings

- **Nature of allegations:**
 - Overcharging at outlets (Rs 10–30 per bottle).
 - Kickbacks to officials by distillers for supply orders.
 - Bribery in staff transfers and postings.
- **Findings from ED searches:**
 - **Incriminating data on transfer postings**, transport tenders, bar licence tenders, and supplier favoritism.
 - **Identification of collusion** involving TASMAC staff, distilleries, bottling companies, and associates.
- **Tender manipulations:**
 - Mismatches in KYC and demand draft details.
 - Single-bid tenders and allocation to applicants lacking GST/PAN/KYC compliance.

Role of Distilleries and Bottling Companies

- **Financial fraud mechanism:**
 - Some distilleries and bottling companies allegedly involved in Rs 1,000 crore fraud.
 - Fabrication of bogus purchases and inflated expenses.
- **Illicit payment network:**
 - Distilleries routed funds through bottling companies.
 - Excess payments withdrawn in cash and used for kickbacks.
- **Key techniques used:**
 - Manipulated financial records.
 - Concealed cash flows.
 - Systematic evasion to generate unaccounted money.

Political and Federal Implications

- **Centre-state tensions:**
 - DMK-led Tamil Nadu government alleges **misuse of central agencies** by the BJP-led Union government.
 - ED **probe** seen as **politically motivated** ahead of upcoming Assembly elections.
- **Federal structure debate:**
 - SC's remarks raise important questions on the **autonomy of states**.
 - Reiterates concerns over the **overreach of central agencies** into state jurisdictions.
- **Broader political context:** TN Chief Minister was critical of current Union government over issues like Hindi imposition and proposed constituency delimitation.

Conclusion

- The Supreme Court's intervention **may catalyze a redefinition of boundaries** between central investigative agencies and state autonomy, **reinforcing** the principle of **cooperative federalism**.
- Going forward, **ensuring transparency in public sector undertakings** like TASMAL will be crucial to restoring public trust and preventing the misuse of institutional powers for political ends.

Federalism and Overreach of Central Agencies FAQs

Q1. Discuss the constitutional implications of the Supreme Court's criticism of the ED's actions in the TASMAL case.

Ans. The Supreme Court's observation that the ED is "violating the federal structure" highlights concerns of institutional overreach by central agencies into the domain of state governance, undermining cooperative federalism.

Q2. What legal provisions are central to the ED's investigation into TASMAL, and how do they intersect with corruption allegations?

Ans. The ED's probe is based on the Prevention of Money Laundering Act, 2002 (PMLA), arising from FIRs under the Prevention of Corruption Act, 1988, linking corruption to laundering of illicit financial gains.

Q3. Explain how the TASMAL case illustrates the challenges of ensuring transparency in public sector tenders.

Ans. The case reveals irregularities like single-bid awards, KYC mismatches, and fictitious documentation, pointing to systemic flaws in tendering and accountability in public sector enterprises.

Q4. Evaluate the political dimensions of ED investigations in states governed by opposition parties, using the TASMAL case as an example.

Ans. The ED probe against TASMAL, amid political rivalry between DMK and BJP, raises questions of selective targeting and politicisation of investigative agencies in a federal democracy.

Q5. What role did distilleries and bottling companies play in the alleged financial fraud involving TASMAL?

Ans. Distilleries and bottling companies allegedly colluded to inflate expenses and create fake transactions to generate over ₹1,000 crore in unaccounted cash used for kickbacks and illicit benefits.

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