68th Edition

ICAI-GST NEWSLETTER

ICAI - SET UP BY AN ACT OF PARLIAMENT | JULY 2026

The Council

CA. Prasanna Kumar D
President

CA. Mangesh Kinare
Vice President

CA. Umesh Sharma
Chairman, GST & Indirect Taxes Committee

CA. Rajendra Kumar P
Vice Chairman, GST & Indirect Taxes Committee

CA. Vishnu Kumar Agarwal
CA. Chhaira Jay Ajit
CA. Piyush Sohanrajji Chhajed
CA. Chandrashekhar Vasant Chitale
CA. Vishal Doshi
CA. Arpit Jagdish Kabra
CA. Durgesh Kumar Kabra
CA. Purushottamlal Hukamichand Khandelwal
CA. Priti Paras Savla
CA. Babu Abraham Kallivayalil
CA. Dayaniwas Sharma
CA. Madhukar Narayan Hiregange
CA. Sridhar Muppala
CA. Sripriya K
CA. Ravi Kumar Patwa
CA. Sanjib Sanghi
CA. (Dr.) Rohit Ruwatia Agarwal
CA. Abhay Chhajed
CA. (Dr.) Anuj Goyal
CA. Satish Kumar Gupta
CA. Gyan Chandra Misra
CA. Pankaj Shah
CA. Sanjay Kumar Agarwal
CA. Hans Raj Chugh
CA. Pramod Jain
CA. Charanjot Singh Nanda
CA. Rajesh Sharma
CA. (Dr.) Sanjeev Kumar Singhal
Shri Bala Murugan D.
Shri Rahul Jain
Shri Manoj Kumar Sahu
Shri Naveen Singhvi
Shri Sanjay Sharan
Justice (Former) Shashi Kant Gupta
Shri Mukhmeet Singh Bhatia
Shri Vinod Kumar Jindal

Contents

gst@icai.in

President's Communication

Dear Professional Colleagues,

Greetings!

It gives me immense pleasure to extend my warm greetings to all professionals, taxpayers and stakeholders who are an integral part of the vibrant GST ecosystem. As GST continues to evolve and mature, it reflects our collective commitment to building a transparent, efficient, technology-driven and taxpayer-centric indirect tax regime. The continued strengthening of the GST framework is evident in its evolving policies and procedures, technology-enabled compliance mechanisms, expanding taxpayer base and robust revenue performance.

The growing maturity and resilience of the GST regime are reflected in its encouraging revenue performance. The gross GST collections stood at ₹2,11,205 crore in July 2026, as against ₹ 1,83,065 crore in July 2025, registering a year-on-year growth of 15.4%. The collections crossed the ₹ 2 lakh crore mark for the second time in the current financial year and represented the third-highest monthly GST collection since the introduction of GST on 1st July, 2017. This notable growth bears testimony to the stability and resilience of the Indian economy, sustained domestic consumption and continued improvements in tax compliance. The expanding taxpayer base and wider adoption of GST also signify the growing formalisation of the economy and deeper integration of businesses and sectors into the formal tax framework.

While the strong revenue performance demonstrates the growing maturity of the GST regime, its effective implementation requires continuous capacity building and a deeper understanding of the evolving framework. In this endeavour, ICAI continues to extend its technical expertise and faculty support to the Central and State GST Departments through various training initiatives. Recently, the GST & Indirect Taxes Committee extended faculty support for the Two-Week Certificate Course for GST Sahyogis at Itanagar, Arunachal Pradesh (6th –17th July 2026) and Dibrugarh, Assam (21st–24th July 2026), as well as the Training Programme on GST for officers of the Government of Odisha (21st –24th July 2026). These initiatives reinforce ICAI's efforts towards augmenting institutional capacity and facilitating effective and consistent implementation of GST across the country.

In addition to its capacity-building initiatives, ICAI, through its GST & Indirect Taxes Committee, continues to enrich the professional knowledge ecosystem through practice-oriented technical publications. Recognising GST's diverse sector-specific implications, the Committee has launched an Industry-Specific GST Publication Series, with the first publication, "GST Sectoral Guide on Charitable Trusts and NPOs," covering key provisions, exemptions, ITC, grants, donations and judicial pronouncements. The publication provides guidance to professionals and stakeholders in the non-profit sector, facilitating a comprehensive understanding and effective application of GST provisions. The publication is available for free download on the Committee's website and in printed form through the CDS Portal.

To enhance awareness of the newly operationalised GST Appellate Tribunal (GSTAT), the Committee organised a Public Outreach Programme at Madurai on 17th July, 2026, in the gracious presence of Mr. Shaik Kader Rahman, Hon'ble Member (Technical), GSTAT, Chennai. The operationalisation of GSTAT marks an important milestone in strengthening the institutional framework for GST dispute resolution and facilitating timely, accessible and effective resolution of tax disputes. The initiative reflects ICAI's commitment to promoting a transparent, efficient and accessible dispute resolution framework.

ICAI remains committed to strengthening the GST ecosystem through knowledge dissemination, capacity building and professional excellence.

I am confident that this Newsletter will serve as a valuable resource for continuous learning and professional growth, enabling our members to contribute meaningfully to the profession and the nation.

CA. Prasanna Kumar D

President

The Institute of Chartered Accountants of India

Photographs

The Fourteenth Edition of the Background Material on GST (BGM) was released by the GST & Indirect Taxes Committee at the 457th Council Meeting of ICAI held on 29.07.2026.

CA. Rajendra Kumar P, Vice-Chairman of the GST & Indirect Taxes Committee of ICAI, met Mr. K. Gananasekaran, Hon'ble Technical Member (State) GSTAT, Chennai Bench on 07.07.2026 to discuss the GST appellate framework and ICAI's support for strengthening GST dispute resolution.

CA. Umesh Sharma, Chairman and CA. Rajendra Kumar P, Vice-Chairman of the GST & Indirect Taxes Committee of ICAI met Justice (Dr.) Sanjaya Kumar Mishra, Hon'ble President, Goods and Services Tax Appellate Tribunal (GSTAT) on 29.07.2026 to discuss on the GST appellate framework and ICAI's efforts towards strengthening the GST dispute resolution mechanism.

CA. Umesh Sharma, Chairman, GST & Indirect Taxes Committee of ICAI, addressed the Stakeholder Consultation Conclave organised by the CAG on Performance Audits on 06.07.2026, in the presence of the Hon'ble CAG, Shri K. Sanjay Murthy.

The GST & Indirect Taxes Committee of ICAI released its publication, "GST Sectoral Guide on Fast-Moving Consumer Goods", at the 109th Meeting of the Committee held on 30.07.2026.

Chairman's Communication

Esteemed Members,

Warm Greetings!

In the July, we find ourselves midway through the year—a time to reflect on our progress and renew our commitment to the goals we've set. July brings with it the refreshing rains of the monsoon and the promise of growth.

In an important update, GSTN had proposed enhancements to the e-Way Bill system, including mandatory reporting of the actual recipient's GSTIN in the "Ship-to" field for Bill-to/Ship-to transactions, with implementation scheduled from 1 August 2026. However, the implementation has been kept on hold until further notice, amid industry concerns regarding ERP validation, identification of the appropriate recipient, trade confidentiality. Accordingly, the related advisories and FAQs have been withdrawn from the GST Portal, and no changes are required in the production environment until further communication from GSTN.

The month also witnessed a significant milestone in the GST appellate framework with the introduction of the Token System by the Principal Bench of the GST Appellate Tribunal (GSTAT) vide Order No. 156/2026 dated 10 July 2026. The facilitative mechanism enables appellants to record their intent to file an appeal on or before 31 July 2026, with timely token generation being treated as deemed compliance with the statutory filing timeline, while the appeal may thereafter be filed within 60 days of token generation. It would however facilitate better identification and tracking of appeals if the token contains additional particulars, such as the GSTIN of the applicant.

On the technology front, GSTN has issued an Advisory dated 1 July 2026 revising the timeline for amendment of the Aggregate Annual Turnover (AATO) for FY 2025–26. Taxpayers can amend their AATO from 1 July 2026 to 31 July 2026, followed by verification by the Jurisdictional Tax Officer from 1 August 2026 to 15 August 2026. Further, GSTN is upgrading the AATO functionality to enable automatic updation of the Aggregate Annual Turnover as subsequent GST returns are filed after the amendment window, thereby improving the accuracy, consistency and uniformity of turnover reporting across various modules of the GST Portal.

The GST & Indirect Taxes Committee has successfully undertaken the GSTART (GST – From Adjudication to Representation & Tribunal Practice) – Level I initiative, a structured, practice-oriented programme aimed at enhancing members' practical skills through case studies, drafting exercises and interactive learning sessions. During July 2026, the Committee successfully organised four GSTART workshops at Vadodara (2–4 July), Jamnagar (3–5 July), Ranchi (10–12 July) and Mumbai (23–25 July), further strengthening the professional capabilities of members in GST litigation and representation. I urge all members to actively participate in and derive maximum benefit from this valuable initiative of the Committee to further enhance their professional competence in GST litigation and tribunal practice.

I also encourage members to stay connected with the Committee through our official WhatsApp Channel and X (formerly Twitter) handle for regular updates on important GST developments, knowledge initiatives and publications.

I invite all stakeholders to share their insights and suggestions at gst@icai.in, including views on themes and issues for future editions, to help us make each issue more relevant, meaningful and impactful.

CA. Umesh Sharma
Chairman
GST & Indirect Taxes Committee
The Institute of Chartered Accountants of India

Job Work Compliance in India: A Practical GST Reference for Businesses and Professionals

Executive Summary:

Job work under Section 2(68) of the CGST Act, 2017 is a critical facilitative mechanism that allows principals to send goods for outsourced processing without payment of GST, subject to prescribed time limits and documentation. This article presents a comprehensive practitioner's reference covering the legal definition and scope of job work, the procedure for sending goods, ITC entitlements, mandatory time limits (one year for inputs and three years for capital goods), place of supply rules, applicable GST rate slabs under HSN 9988, delivery challan and tax invoice requirements, and the compliance obligations under Form GST ITC-04.

1. Introduction

India's outsourced manufacturing ecosystem — textile units sending fabric for dyeing, pharmaceutical companies outsourcing processing steps, jewellers dispatching gold for polishing — operates on a GST mechanism that is at once facilitative and compliance-intensive. Job work provisions under Sections 19 and 143 of the Central Goods and Services Tax Act, 2017 (CGST Act) allow the principal to move goods without payment of tax, claiming Input Tax Credit (ITC) and deferring tax liability until the transaction crystallises as a supply. Yet, these same provisions are among the most frequently misapplied in practice — with missed return deadlines, incorrect rate application, challan irregularities, and Form ITC-04 mismatches generating a disproportionate share of GST audit objections and demand notices.

2. Definition and Scope of "Job Work"

Section 2(68) of the CGST Act defines job work as: "any treatment or process undertaken by a person on goods belonging to another registered person." The person carrying out such treatment or process is the "job worker."

Three cumulative conditions must be satisfied:

- Two distinct persons must be involved: the registered principal who owns the goods and the job worker who performs the work.
- The goods on which work is performed must belong to a registered principal at the time of processing.
- The job worker must undertake some form of treatment or process on those goods — this encompasses a wide range, including packing, re-packing, testing, inspection, labelling, dyeing, printing, and contract manufacturing, provided the principal retains ownership of the raw material throughout.

Critical nuance on unregistered principals: Where the principal sending goods is unregistered, the transaction does not satisfy the Section 2(68) definition and therefore cannot avail of the facilitative provisions of Section 143. It may instead be categorised under Schedule II, Entry 3 — which treats any treatment or process applied to another person's goods as a "supply of services" — with attendant differences in tax rate and ITC treatment.

It is pertinent to note that the job work provisions are facilitative in nature, and an assessee may choose whether or not to resort to them (CBIC Circular No. 38/12/2018 dated 26.03.2018).

3. Nature of Supply and Turnover Implications

By virtue of Schedule II, Entry 3 of the CGST Act, job work constitutes a supply of services. This classification carries a significant turnover consequence: pursuant to Explanation (ii) to Section 22, the value of goods processed by the job worker on behalf of the principal is excluded from the job worker's aggregate turnover — the supply liability under Section 143 rests with the principal, not the job worker.

Exception: Where an unregistered job worker processes goods for an unregistered principal, this exclusion does not apply. The value of the processed goods is treated as a supply by the job worker himself and included in his aggregate turnover. In practice, this can unexpectedly cross the registration threshold, requiring the job worker to obtain GST registration.

4. Procedure for Sending Goods to a Job Worker

Section 143 governs the entire job work procedure. A registered principal may, under intimation and subject to conditions prescribed, send inputs, semi-finished goods, or capital goods to a job worker for processing without payment of tax. The job worker may further send the goods to another job worker in a chain.

4.1 Documentation: Delivery Challan (Rule 55)

Every consignment of goods sent to a job worker must be accompanied by a delivery challan issued in triplicate — Original for the Consignee, Duplicate for the Transporter, and Triplicate for the Consignor. The challan must be serially numbered (maximum 16 characters) and contain:

- Date and challan number
- Name, address and GSTIN of consignor (if registered) and consignee (if registered)
- HSN code and description of goods, along with quantity (provisional, if exact quantity is not ascertainable at the time of despatch)
- Taxable value; and applicable tax amounts (CGST/SGST/IGST/UTGST/cess) where the movement constitutes or relates to a supply

- Place of supply, for inter-State movement; and authorised signature

A key operational point: the original challan issued by the principal cannot be endorsed for piecemeal dispatches from one job worker to the next. Each sub-consignment requires a fresh challan.

4.2 E-Way Bill

Under the third proviso to Rule 138 of the CGST Rules, an e-way bill is mandatory for all inter-State job work movements, irrespective of the value of goods. The standard monetary-value exemption applicable to ordinary commercial movement does not apply to inter-State job work consignments.

4.3 Direct Despatch to the Job Worker's Premises

Sections 19(2) and 19(5) permit the principal to send inputs or capital goods directly from the vendor's premises (or the customs station, in the case of imports) to the job worker's premises, without the principal ever physically receiving the goods. ITC remains available to the principal in such cases. The vendor's invoice is raised in the principal's name, with the job worker's name and address as consignee (Rule 46(o)); the principal then issues a delivery challan to the job worker (Circular No. 38/12/2018).

5. Time Limits for Return of Goods — The Most Litigated Compliance Point

The time limit provisions under Section 143 are, in practice, the single greatest source of disputes in job work. The prescribed limits differ by category of goods:

Category of Goods	Time Limit to Return	Extension Available	Clock Starts From
Inputs (including intermediate goods)	1 Year	+1 year (Commissioner)	Date of removal by principal / date of receipt by job worker if sent directly
Capital Goods	3 Years	+2 years (Commissioner)	Date of removal by principal / date of receipt by job worker if sent directly
Moulds, Dies, Jigs, Fixtures & Tools	No Limit	Not applicable	Not applicable

Where goods pass through a chain of job workers in sequence, the time limit does not reset at each stage — the entire chain must be completed within the original one-year or three-year window, as applicable.

Consequence of missing the deadline: Under Section 19(3)/19(6), goods not returned within the prescribed period are deemed to have been "supplied" by the principal to the job worker on the date of original despatch. This deemed supply must be declared in GSTR-1 for the month in which the limit expires, and the principal becomes liable to pay GST together with interest calculated from the original despatch date.

6. Return of Goods and Direct Supply from Job Worker's Premises

On completion of job work, the job worker returns the finished goods under a delivery challan and raises a tax invoice for his job work charges. Alternatively, goods may be supplied directly from the job worker's premises to the end customer — provided either (a) the job worker is himself a registered person, or (b) the job worker's premises are declared as an additional place of business of the principal.

Where a registered job worker supplies finished goods directly to the customer, that supply is treated as a supply by the principal, and the value thereof is excluded from the job worker's own aggregate turnover. The principal must raise the sale invoice to the end customer; the job worker raises only his invoice for processing charges.

ITC reversal on loss or destruction: If inputs or capital goods are lost, destroyed, or written off during job work, Section 17(5)(h) requires the principal to reverse the related ITC. Such loss is not treated as a deemed supply under Section 19(3) — it is an ITC event, not a taxable supply event.

7. Input Tax Credit in Job Work

The ITC framework for job work, set out in Section 19, is designed to preserve neutrality:

- Section 19(1) and 19(4): The principal may claim ITC on inputs and capital goods sent to a job worker for processing.
- Section 19(2) and 19(5): ITC is available even where goods are sent directly to the job worker without first being received at the principal's own premises.
- Job worker's ITC on deemed supply: Where a deemed supply arises under Section 19(3)/19(6) due to expiry of the return window, the principal must issue an invoice dated in the current period. Since the invoice date falls within the current tax period, the job worker can validly claim ITC — Section 16(4)'s time-bar is not violated.
- Settlement by the job worker: Under the second proviso to Section 16(2), the job worker must settle payment to the principal — either by remitting the tax amount in cash, or by treating the return of goods as his own supply and raising a tax invoice with the principal as buyer.

8. Place of Supply for Job Work Services

The place of supply for job work charges is governed by Section 12(2) of the IGST Act, 2017. Where the principal and the job worker are in different States and goods are removed directly from the job worker's premises to the recipient, the following applies:

- If the principal and the ultimate recipient are in the same State — CGST and SGST apply, even though the goods are physically located at the job worker's premises in a different State.
- If the principal and the ultimate recipient are in different States — IGST applies, even if the recipient happens to be in the same State as the job worker.

In essence, the place of supply tracks the principal-recipient relationship, not the physical location of the job worker.

9. Registration Requirement for the Job Worker

A job worker is required to register under GST if his aggregate turnover exceeds ₹20 lakh (₹10 lakh in special category States) in a financial year. Importantly, Section 24(i) of the CGST Act normally mandates compulsory registration for any person making an inter-State taxable supply, irrespective of turnover. However, Notification No. 10/2017-Integrated Tax grants a specific exemption from this compulsory registration requirement for inter-State suppliers of services. A job worker who supplies services inter-State is therefore required to register only when his pan-India aggregate turnover crosses the prescribed threshold — not merely by virtue of making an inter-State supply.

10. Waste and Scrap Generated During Job Work

The treatment of waste and scrap depends on the job worker's registration status:

- Registered job worker: May supply waste and scrap directly from his own premises, charging applicable GST on such supply.
- Unregistered job worker: Waste and scrap must be returned to the principal along with the finished goods. The principal then either supplies the scrap from the job worker's premises under his own invoice, or brings it back to his own premises before effecting a supply.

The department cannot demand GST on scrap shortfalls where the actual quantum is lower than the "expected" norm, provided the principal is not suppressing the actual scrap generation (Pearl Soap & Co. (CESTAT Mumbai). The principal must maintain proper records of all scrap clearances from the job worker's premises.

11. GST Rate Slabs on Job Work Services (HSN 9988)

The applicable CGST rate for job work services under Heading 9988 (as updated through Notification No. 15/2025-CT (Rate) dated 17.09.2025) is as follows:

CGST Rate	Applicable Category of Job Work
0.75%	Job work in relation to diamonds (Chapter 71 of the Customs Tariff Act)
2.50%	Food & food products (Chapters 1–22); pharma goods (Chapter 30); hides, skins & leather (Chapter 41); printing of newspapers, books, journals; textiles (Chapters 50–63); bricks; all goods under Chapter 71 other than diamonds; handicrafts; umbrellas; tailoring services
9.00%	Job work on alcoholic liquor for human consumption; all residual job work / treatment-or-process services not covered under the above entries

The rate slab must be determined based on the HSN of the goods being processed, not the general trade category of the job worker.

12. Form GST ITC-04 — Compliance Backbone

Rule 45(3) of the CGST Rules requires the principal to file Form GST ITC-04 to report the entire job work movement trail — goods dispatched, goods received back, goods moved between job workers, and goods supplied directly from a job worker's premises. The form has four operative tables:

- Table 4: Details of goods dispatched to the job worker
- Table 5A: Goods received back (in respect of the same job work)
- Table 5B: Goods received back (other than for the original job sent)
- Table 5C: Goods supplied directly from the job worker's premises to the end customer

Filing frequency: For principals with aggregate turnover exceeding ₹5 crore in the preceding financial year — once every six months (within 25 days of the end of the period commencing 1 April and 1 October). For all other principals — once a year.

ITC-04 mismatches are among the most common triggers for audit notices. Practitioners should reconcile ITC-04 data against delivery challan records and invoices at the end of each filing period, before submission.

13. Practitioner's Compliance Checklist

- Verify registration status of both principal and job worker before classifying a transaction as job work under Section 2(68).
- Issue delivery challans in triplicate for every goods movement; ensure serial numbering and all mandatory fields under Rule 55 are complete.
- Generate e-way bills for all inter-State job work movements — monetary-value exemptions do not apply.

- Track the 1-year/3-year return clock per consignment, accounting for direct despatch dates and multi-job-worker chains.
- Declare goods exceeding the time limit as deemed supply in GSTR-1 for the relevant month, with interest from the original despatch date.
- Reconcile Form GST ITC-04 with challan and invoice records every six months (or annually, as applicable) before filing.
- Verify the correct GST rate slab (0.75% / 2.5% / 9%) based on the HSN of the goods processed, not the job worker's general classification.
- Where job worker supplies finished goods directly to the end customer, ensure the sale invoice is raised by the principal; the job worker invoices only his processing charges.
- Maintain records of waste and scrap generated and cleared from the job worker's premises.

14. Conclusion

The job work provisions under the CGST Act represent a well-designed mechanism to keep India's vast outsourced manufacturing ecosystem tax-neutral at the stage of goods movement, while preserving the accountability trail that effective tax administration requires. The framework is broadly forgiving in substance — an incorrect classification rarely results in a final tax burden where the underlying transaction is genuine — but it is exacting in its procedural demands.

Most disputes in practice do not arise from deliberate tax evasion or technically incorrect positions. They arise from documentation lapses — an unissued challan, a lapsed return window, an unfiled ITC-04. The single most effective risk-mitigation measure for any manufacturing or processing business engaged in outsourced production is to embed these compliance checkpoints in a standard operating procedure and subject them to periodic internal review.

References

1. CGST Act, 2017 — Sections 2(68), 17(5)(h), 19, 22, 24, 143; Schedule II Entry 3.
2. IGST Act, 2017 — Section 12(2).
3. CGST Rules, 2017 — Rules 45, 46, 55, 138.
4. CBIC Circular No. 38/12/2018-GST dated 26.03.2018.
5. Notification No. 11/2017-CT (Rate) and No. 15/2025-CT (Rate) dated 17.09.2025; Notification No. 8/2017-IT (Rate) and No. 15/2025-IT (Rate).
6. Notification No. 10/2017-Integrated Tax.
7. Pearl Soap & Co. (CESTAT Mumbai).

Contributed by CA Sunil Sharma

GST Compliance Schedule

Compliances for the month of August 2026

Forms	Compliance Particulars	Due Dates
GSTR 7	Return to be furnished by the registered persons who are required to deduct tax at source.	10.09.2026
GSTR 8	Return to be furnished by the registered electronic commerce operators who are required to collect tax at source on the net value of taxable supplies made through it.	10.09.2026
GSTR 1	Statement of outward supplies by the taxpayers having an aggregate turnover of more than Rs. 5 crore or the taxpayers who have opted for monthly return filing.	11.09.2026
GSTR 1A	Amendment of outward supplies of goods or services for the current tax period.	
IFF	Statement of outward supplies by the taxpayers having an aggregate turnover up to ₹ 5 crore and who have opted for the QRMP scheme.	13.09.2026
GSTR 5	Return to be furnished by the non-resident taxable persons containing details of outward supplies and inward supplies.	13.09.2026
GSTR 6	Return to be furnished by every Input Service Distributor (ISD) containing details of the input tax credit received and its distribution.	13.09.2026
GSTR 3B	Return to be furnished by all the taxpayers other than who have opted for QRMP scheme comprising consolidated summary of outward and inward supplies.	20.09.2026
GSTR 5A	Return to be furnished by Online Information and Data base Access or Retrieval (OIDAR) services provider for providing services from a place outside India to non-taxable online recipient (as defined in Integrated Goods and Services Tax Act, 2017) and to registered persons in India and details of supplies of online money gaming by a person outside India to a person in India.	20.09.2026
PMT-06	Payment of GST for a taxpayer with aggregate turnover up to ₹ 5 crores during the previous year and who has opted for quarterly filing of return under QRMP scheme.	25.09.2026
GSTR-11	Statement of inward supplies by persons having Unique Identification Number (UIN)	28.09.2026

JUDICIAL PRONOUNCEMENTS

1. Supreme Court Upholds Constitutional Validity of Section 16(2)(c) of the CGST Act. [Bhandari Scrap Traders Versus Union of India - Supreme Court of India - Appeal (C) No. 23931 of 2026 with SLP (C) Nos. 24088 & 24103 of 2026, decided on 24.07.2026]

Background

The dispute arose after the tax authorities denied Input Tax Credit (ITC) to M/s. Bhandari Scrap Traders on the ground that the suppliers had failed to deposit the GST collected from them with the Government. Although the recipients claimed that all other statutory requirements for availing ITC had been fulfilled, the authorities invoked Section 16(2)(c) of the CGST Act, 2017, which makes ITC conditional upon actual payment of tax by the supplier.

The Gujarat High Court, in Maruti Enterprise v. Union of India & Ors., upheld the constitutional validity of Section 16(2)(c) and declined to dilute or read down the provision. Challenging this decision, the petitioners approached the Supreme Court by filing Special Leave Petitions.

Issue Involved

Whether Section 16(2)(c) of the CGST Act, 2017, which makes availability of ITC dependent upon the supplier depositing the tax with the Government, violates Articles 14, 19(1)(g), 265 or 300A of the Constitution of India, or whether the provision should be interpreted in a manner that protects bona fide purchasers from denial of ITC due to the supplier's default.

Contentions of the Respondent

The Revenue argued that:

- Input Tax Credit is a statutory concession & not a vested or constitutional rights. It can be claimed only after satisfying all conditions prescribed under the CGST Act.
- Section 16(2)(c) must be interpreted together with Sections 41, 53 and 155 of the CGST Act and Rule 37A of the CGST Rules, rather than in isolation.
- The statutory framework already provides relief by allowing a recipient to re-avail ITC once the supplier subsequently deposits the tax with the Government.
- The decisions rendered under the Delhi VAT Act cannot be applied to the GST regime because the legislative framework and mechanism governing ITC under the CGST Act are materially different.

Court Observations

The Supreme Court observed that:

- The ITC mechanism under the CGST Act differs significantly from that under the Delhi VAT Act. Therefore, judgments delivered under the Delhi VAT legislation could not be treated as governing precedents for interpreting Section 16(2)(c) of the CGST Act.
- The Gujarat High Court had undertaken a detailed analysis of the GST framework, unlike the approach adopted in the Tripura High Court decision relied upon by the petitioners.
- The statutory scheme, particularly Sections 41, 73 and 74 of the CGST Act, provides a mechanism whereby ITC reversed on account of supplier default may be reclaimed once the supplier discharges the tax liability.
- In view of the comprehensive statutory safeguards, there was no justification for striking down Section 16(2)(c) or giving it a restricted interpretation.

Order

The Supreme Court upheld the judgment of the Gujarat High Court in Maruti Enterprise v. Union of India & Ors. and confirmed the constitutional validity of Section 16(2)(c) of the CGST Act, 2017. The Court concluded that denial of ITC where the supplier has not deposited the tax is consistent with the statutory scheme and that the provision does not infringe the constitutional rights relied upon by the petitioners. Consequently, the Special Leave Petitions filed by M/s. Bhandari Scrap Traders were dismissed.

2. Karnataka High Court Restores Time-Barred GST Appeal in Exercise of Writ Jurisdiction [Sepl Infra Private Limited Versus Joint Commissioner of Commercial Taxes (Appeals) - High Court of Karnataka - Writ Petition No. 104931 of 2026, decided on 09.07.2026]

Background

- The dispute originated from proceedings initiated under Section 73 of the CGST Act for FY 2020-21. Following issuance of a show cause notice, the adjudicating authority passed an order confirming tax, interest and penalty against the petitioner. The petitioner asserted that although the order had been uploaded on the GST portal, it was placed under the 'Additional Notices and Orders' tab instead of the tab 'View Notice & Order tab' which is normally accessed by taxpayers for orders. Department contented that the order has also been communicated through registered post, however the court noted that complete adjudication order was not sent. the petitioner claimed that it remained unaware of the adjudication order for several months and Immediately upon becoming aware, the petitioner sought rectification. After rejection of the rectification request, it preferred an appeal under Section 107 of the CGST Act and deposited the mandatory pre-deposit. The appellate authority, however, declined to examine the merits because the appeal had been filed beyond the period that it was empowered to condone. During pendency of these proceedings, the department also issued a garnishee notice to recover the disputed dues. Challenging the dismissal of the appeal, the original adjudication order and the recovery action, the petitioner invoked the writ jurisdiction of the High Court.

Issue Involved

- The principal question before the Court was whether the High Court, while exercising jurisdiction under Article 226 of the Constitution, could intervene where the statutory appellate authority lacked power to condone delay beyond the prescribed period u/s 107 of CGST Act in exceptional circumstances. The Court also examined whether the circumstances surrounding communication of the adjudication order justified restoration of the appellate remedy. A further issue concerned the validity of continuing coercive recovery proceedings through a garnishee notice when the taxpayer sought restoration of its appeal and had already deposited the prescribed amount.

Contentions of the Respondent

- The revenue authorities argued that the adjudication order had been communicated to the petitioner through the prescribed mode, including registered post, and therefore the petitioner could not contend that it had no knowledge of the order. According to the respondents, the appellate authority functions strictly within the framework of Section 107 of the CGST Act and has no jurisdiction to condone delay beyond the statutory ceiling. Consequently, dismissal of the appeal as time-barred was legally correct. The respondents also maintained that the recovery proceedings were initiated in accordance with law after the demand became enforceable.

Court Observations

- The High Court distinguished the limited statutory powers of the appellate authority from the broader constitutional powers of the High Court. It observed that the right of appeal is a valuable statutory safeguard and should ordinarily be preserved where exceptional circumstances prevented timely filing. The Court considered the peculiar facts, including the placement of the order on an uncommon portal tab, the prompt steps taken by the petitioner after acquiring knowledge of the order, and the fact that the prescribed pre-deposit had already been made. Referring to earlier decisions of various High Courts, the Court reiterated that while an appellate authority cannot travel beyond the limitation imposed by statute, the High Court may exercise writ jurisdiction in exceptional situations to ensure that disputes are decided on merits rather than defeated on technical grounds. The Court also noted that once restoration of the appeal was justified, continuation of coercive recovery would prejudice the taxpayer before adjudication on merits. Therefore, the garnishee proceedings were considered inappropriate in the circumstances. The Court clarified that it was expressing no opinion on the correctness of the tax demand itself and that all issues relating to tax, interest, penalty and input tax credit would remain open before the appellate authority.

Order

- The writ petition was partly allowed. The order dismissing the appeal on limitation was set aside. The delay in filing the appeal was condoned by the High Court in exercise of its extraordinary jurisdiction and the appeal was restored to the file of the appellate authority for disposal on merits. The garnishee notice issued for recovery of the disputed demand was quashed. The petitioner was directed to appear before the appellate authority on the specified date without requirement of any further notice, and the authority was directed to decide the appeal after providing adequate opportunity of hearing. The Court expressly left all questions on the merits of the tax dispute open for independent adjudication by the appellate authority.

3. Transitioned Input Tax Credit Cannot Be Claimed as Refund Under Section 54(3) of the CGST Act [Dilip Babubhai Patel Versus State of Gujarat - High Court of Gujarat - R/Special Civil Application No. 21685 of 2019, decided on 29.06.2026]

Background

- The petitioner, a manufacturer of wooden pallets and boxes, had accumulated input tax credit (ITC) under the Gujarat VAT regime because the applicable VAT on purchases exceeded the VAT payable on sales. On the implementation of the GST regime from 1 July 2017, the petitioner migrated this accumulated VAT credit into the GST system by filing Form GST TRAN-1 under Section 140 of the CGST/GGST Acts. The migrated amount was reflected in the Electronic Credit Ledger (ECL).
- Subsequently, under GST, the petitioner continued to experience an inverted duty structure, resulting in further accumulation of ITC. Accordingly, it filed a refund application under Section 54(3) of the CGST Act, seeking refund of the accumulated unutilised ITC. While a portion of the refund attributable to GST-period ITC was sanctioned, the authorities rejected the component representing the transitional VAT credit on the ground that such credit was barred from refund under the second proviso to Section 142(3) of the Act. Aggrieved by the partial rejection, the petitioner approached the Gujarat High Court seeking refund of the rejected amount and re-credit of the corresponding amount to its Electronic Credit Ledger.

Issue Involved

- The principal questions before the High Court were:

  Whether the transitional VAT credit carried forward u/s 140 & reflected in electronic credit ledger becomes eligible for refund under Section 54(3) of the CGST Act merely because it formed part of the Electronic Credit Ledger.
- Whether the statutory restriction contained in the

second proviso to Section 142(3) prohibited refund of such transitioned credit.

- Whether the department was required to restore the rejected amount to the Electronic Credit Ledger if refund was found to be inadmissible.

Contentions of the Respondent

- The Revenue argued that the transitional provisions contained in Chapter XX of the GST Acts create a distinct statutory framework governing migration from the pre-GST regime to GST. According to the department, Section 140 merely enables eligible taxpayers to carry forward accumulated credit into the GST regime so that it may be utilised towards payment of future GST liabilities. It does not create any right to receive such credit as a cash refund.
- The respondents further submitted that the second proviso to Section 142(3) expressly bars refund of any CENVAT or VAT credit that has already been carried forward under the GST law. Therefore, once the petitioner exercised the option of transitioning its VAT credit through Form GST TRAN-1, it became disentitled to seek refund of the same amount under Section 54(3). According to the Revenue, refund under Section 54(3) is confined only to ITC accumulated under the GST regime due to circumstances specifically recognised by the Act, such as an inverted duty structure or zero-rated supplies, and does not extend to credits originating under the repealed tax laws. The department also relied upon CBEC Circular No. 37/11/2018-GST to support its interpretation that transitioned credit cannot subsequently be claimed as refund.

Court Observations

- The High Court undertook a detailed examination of the statutory provisions governing transitional credit, utilisation of ITC and refund under the GST framework. It observed that the legislative scheme clearly distinguishes between the concepts of utilisation of credit and refund of credit, and these rights cannot be treated as interchangeable.
- The Court noted that Section 140 enables a registered person to preserve accumulated credit earned under the earlier indirect tax regime by carrying it forward into GST. Once such credit is validly transitioned, it becomes available for utilisation towards discharge of GST liability through the Electronic Credit Ledger. However, this transition does not alter the original character or source of the credit so as to automatically qualify it for refund under Section 54(3).
- Interpreting Sections 49, 54, 140 and 142 harmoniously, the Court held that Parliament consciously created two separate mechanisms. A taxpayer may either pursue refund of pre-GST credit under the provisions governing the earlier tax laws or elect to carry that credit into the GST regime for future utilisation. Once the latter course is adopted, the statutory embargo contained in the second proviso to Section 142(3) becomes operative, thereby excluding any subsequent claim for refund of the same transitioned credit under the GST law.
- The Court further observed that Section 54(3) is intended to grant refund only of unutilised input tax credit accumulated under the GST regime in the situations specifically contemplated by the Act. The provision cannot be interpreted to include transitional VAT credit merely because such credit is reflected in the Electronic Credit Ledger. Any contrary interpretation would render the second proviso to Section 142(3) ineffective and defeat the legislative intent behind the transitional provisions.
- The Court also distinguished the earlier Gujarat High Court decisions relied upon by the petitioner, noting that those judgments did not directly consider the effect of the second proviso to Section 142(3). Consequently, those precedents were held to be inapplicable to the facts of the present case. The Court further relied upon CBEC circular no. 37/11/2018-GST, which clarifies that once pre-GST credit has been transitioned into GST, refund of such credit is not permissible.
- With respect to the procedural objection regarding absence of a hearing under Rule 92, the Court observed that remanding the matter would serve no practical purpose because the dispute turned purely on interpretation of law, which had already been comprehensively addressed before the Court. However, regarding Rule 93, the Court accepted the department's statement that the amount representing the rejected refund could be restored to the Electronic Credit Ledger upon the petitioner making the necessary application which shall be examined in accordance with Rule 93 after verification of relevant facts & records

Order

- The High Court partly allowed the writ petition. It upheld the rejection of refund insofar as the claim was related to transitional VAT credit carried forward under Section 140, holding that such credit is not refundable under Section 54(3) because of the express prohibition contained in the second proviso to Section 142(3). At the same time, the Court directed that the amount representing the rejected transitional credit should be re-credited to the petitioner's Electronic Credit Ledger, in accordance with Rule 93 of the GST Rules, enabling the petitioner to utilise the credit for future GST liabilities after following the prescribed procedure.

4. High Court declines to entertain writ petition against Section 74 order, directing the petitioner to avail the statutory appellate remedy [Sodexo India Services Private Limited Versus Union of India - High Court of Delhi - No.- W. P. (C) 9153/2026, decided on 15.07.2026]

Background

The petitioner challenged an Order-in-Original passed under Section 74 of the Central Goods and Services Tax (CGST) Act, 2017, whereby a GST demand of approximately ₹8.75 crore, along with interest and penalty, was confirmed following audit proceedings. The principal dispute related to the taxability of catering services and the sale of pre-packaged food products, which the department treated as a composite supply taxable at 18%.

During the audit and adjudication proceedings, the petitioner participated actively by responding to the Audit Memo, Additional Audit Memo and Show Cause Notice. It also submitted agreements, invoices, reconciliations and other documentary evidence and attended personal hearings before the adjudicating authority. Despite these proceedings, the petitioner approached the Delhi High Court directly under Article 226 of the Constitution instead of filing a statutory appeal under Section 107 of the CGST Act. The writ petition alleged that the adjudication process suffered from procedural deficiencies and violated the principles of natural justice.

Issue Involved

The primary issue before the High Court was whether a writ petition challenging a GST adjudication order is maintainable when an effective statutory appellate remedy is available under Section 107 of the CGST Act.

The Court also considered whether the petitioner had established any exceptional circumstances—such as violation of natural justice or jurisdictional error—that would justify bypassing the statutory appellate mechanism.

Contentions of the Respondent

The respondents raised a preliminary objection regarding the maintainability of the writ petition. They submitted that Section 107 of the CGST Act provides a complete and efficacious appellate remedy empowering the appellate authority to examine both factual and legal issues arising from an adjudication order.

It was further argued that the petitioner had been provided adequate opportunities throughout the proceedings by way of notices, replies and personal hearings. The adjudicating authority had considered the documents placed on record before passing the order. According to the respondents, the petitioner's grievances essentially related to appreciation of evidence and factual findings, which are matters falling within the jurisdiction of the appellate authority and not grounds for invoking the extraordinary writ jurisdiction of the High Court.

Court Observations

The High Court observed that although Article 226 confers wide powers, where a complete and efficacious appellate remedy is provided under Section 107 of the CGST Act, writ jurisdiction is ordinarily exercised with judicial restraint. The appellate authority can examine questions of fact and law, re-appreciate evidence and assess the legality and correctness of the adjudication order. Accordingly, disputes concerning appreciation or sufficiency of evidence, adequacy of material and factual findings should ordinarily be addressed before the statutory appellate authority.

The Court reiterated that availability of an alternative remedy is not an absolute bar to writ jurisdiction. However, interference is ordinarily warranted only in recognised exceptional circumstances, such as violation of fundamental rights, breach of natural justice, lack or excess of jurisdiction, or challenge to constitutional validity. Mere assertion of such grounds is insufficient unless the facts establish a genuine exception.

On the facts, the Court found that the petitioner had actively participated in the audit and adjudication proceedings by replying to the Audit Memo, Additional Audit Memo and SCN, producing agreements, invoices, reconciliations and other documents, and attending personal hearings. Thus, adequate opportunity had been provided and there was no violation of natural justice. The Court further held that natural justice does not require the adjudicating authority, as an inflexible rule, to repeatedly seek documents or clarifications once sufficient opportunity has been afforded. It is for the noticee to place all material supporting its defence.

Whether the material produced was sufficient, whether further documents were required, or whether the adjudicating authority properly appreciated the evidence were merits-related matters falling within the appellate jurisdiction under Section 107.

The Court also distinguished the judgments relied upon by the petitioner, noting that they did not consider the maintainability of a writ petition where an efficacious Section 107 remedy existed or the principles laid down in Assistant Commissioner of State Tax v. Commercial Steel Ltd. Consequently, no recognised exception warranting interference under Article 226 was established

Order

The High Court held that the petitioner had failed to establish any exceptional circumstance warranting the exercise of writ jurisdiction. Accordingly, the writ petition was dismissed as not maintainable, with liberty granted to the petitioner to avail the statutory remedy of appeal under Section 107 of the CGST Act.

The Court further clarified that, if an appeal is filed, the period during which the writ petition remained pending before the High Court shall not be reckoned while considering limitation, subject to the appellate authority deciding the issue in accordance with law. All pending applications were also disposed of.

5. Transfer of Right to Use Goods – Telangana High Court Clarifies Taxability of Common Amenities in Lease Transactions [M/s. SDE Engineers Limited & Others v. Commercial Tax Officer - High Court of Telangana - No.- W. P. Nos. 9991, 3865 & 3866 of 2009 – decided on 03.07.2026]

Background

The petitioners, developers of information technology parks, leased commercial premises to various IT companies along with facilities such as air-conditioning systems, power infrastructure, DG sets, lifts, furniture, fixtures, kitchen and cafeteria facilities, and other common amenities. The lease agreement bifurcated the consideration between rent for building & rent attributable to movable / immovable fixtures & furniture, on which revenue sought to levy tax treating the later component as a transfer of the right to use goods. While the Revenue accepted that the rental income from the immovable property itself was not liable to VAT, it sought to levy tax on the portion of the rent attributable to furniture, fixtures and other movable assets by treating the arrangement as a transfer of the right to use goods under the APGST Act and APVAT Act. The petitioners challenged these tax demands before the High Court.

Issue Involved

The principal issue before the Court was whether the consideration received towards furniture, fixtures and other amenities provided along with the leased premises amounted to a taxable transfer of the right to use goods. The Court also examined whether the agreements constituted independent transactions involving a deemed sale of goods or merely formed part of a composite arrangement for leasing immovable property together with incidental facilities.

Contentions of the Respondent

The Revenue contended that the furniture, fixtures and other equipment provided to the tenants were movable goods which had been leased to the IT companies for consideration. According to the Revenue, the tenants were enjoying and using these goods and, therefore, the arrangement amounted to a transfer of the right to use goods and a deemed sale under Article 366(29A)(d) of the Constitution read with Section 5E of the APGST Act. It was further contended that the fact that certain furniture and facilities were used by more than one IT company would not, by itself, negate a transfer of the right to use goods, so long as the lessees were actually enjoying and using those goods

Court Observations

The High Court examined the lease agreements in light of the principles laid down by the Supreme Court in Bharat Sanchar Nigam Ltd. v. Union of India for determining a transfer of the right to use goods. Applying these tests, the Court found that specific goods were not identified for transfer, there was no consensus ad idem regarding the goods, and effective control and possession remained with the landlords. The tenants did not acquire an independent legal right to use identified goods, while the facilities could be regulated, repaired, suspended or discontinued by the landlords.

The Court further held that the requirement of exclusive use was not satisfied, as several facilities were available to multiple IT companies and, in some cases, the landlords themselves. Accordingly, the furniture, equipment and other movable items were held to be incidental facilities forming part of a composite leasing arrangement, rather than an independent transfer of the right to use goods. The consideration attributable to such facilities therefore arose from a contract of service and did not constitute a deemed sale taxable under the APGST/APVAT Acts. Consequently, the contrary findings of the lower authorities were held unsustainable

Order

The High Court held that the lease arrangements did not amount to a transfer of the right to use goods and, therefore, the levy of tax on the rental component relating to furniture, fixtures and common amenities was unsustainable. Accordingly, the assessment orders and consequential tax demands were set aside, and the writ petitions as well as the connected tax revision case were allowed in favour of the petitioners.

6. GST Portal Upload Alone Does Not Constitute Valid Service of SCN/Order. [Luxmi Traders v. Union Territory of Chandigarh - High Court of Punjab & Haryana - CWP No. 27139 of 2025, decided on 21.07.2026]

Background

The petitioner, a proprietorship firm registered under GST in Chandigarh, was subjected to scrutiny proceedings under Section 61 of the CGST Act, 2017 for the period 2017-18. Following an ASMT-10 dated 29.08.2023 highlighting discrepancies in GSTR-1, GSTR-3B and GSTR-2A, an SCN in Form DRC-01 was issued on 27.09.2023 under Section 73. The petitioner contended that no communication or hearing notice was ever received and that the SCN specified no date, time or venue for personal hearing. Despite this, an ex parte order-in-original dated 28.12.2023 along with DRC-07 was passed. The order was served exclusively by uploading it under the ‘View Additional Notices and Orders’ tab on the GST Common Portal. The Department treated such portal uploading as valid service triggering the limitation period under Section 107, leaving the petitioner with no statutory remedy.

Issue Involved

“Whether uploading of a notice as well as the order-in-original in the tab ‘View Additional Notices and Orders’, on the Common Portal, being www.gst.gov.in amounts to proper service of it, on the petitioner in view of Section 169 read with Section 146 of the Central Goods and Services Tax Act, 2017, so as to trigger the period of limitation for filing of appeal under Section 107 of the Act of 2017?”

Contentions of the Respondent

The Revenue contended that uploading on the Common Portal constitutes valid service under Section 169(1)(d) and that the email intimation simultaneously sent satisfies Section 169(1)(c). It was further urged that no separate notification under Section 146 is required, as the Common Portal is already notified for various statutory purposes which encompass service of orders. It was additionally submitted that the improper service argument is raised selectively to claim limitation benefits not contemplated under the statute, and that cases where proceedings were contested on merits should not be permitted to be re-agitated.

Revenue also contended that the common portal was already used by many tax payers & particularly after the

January-2024 portal modification, the notices / orders section was made more accessible; therefore, absence of specific notification u/s 146 should not invalidate portal based service.

Court Observation

The Court held that Section 146 notifies the Common Portal solely for registration, payment of tax, furnishing of returns, settlement of integrated tax, and e-way bills. All three notifications issued under Section 146 — dated 19.06.2017, 23.01.2018 and 13.12.2019 — are confined to these purposes and none authorises the portal for service of SCNs or orders. No rule under the CGST Rules, 2017 prescribes such service through the Common Portal.

The email sent by the Department to the registered email address merely intimates that an order has been uploaded without attaching the notice or order itself, and therefore does not constitute service under Section 169(1)(c). Crucially, the deeming provisions under Section 169(2) and (3) attach only to modes under clauses (a), (b), (e) and (f) — not to clauses (c) and (d).

The Court further noted the cumbersome multi-layered navigation required to locate a notice on the portal — through 'Services' → 'User Services' → 'Notices and Orders' → 'View Additional Notices and Orders' — rendering any assumption of the assessee's knowledge unreasonable. The court also called upon the department to improve the portal based communication mechanism by introducing prominent alerts & other effective means of notifying taxpayers of statutory communications.

Affirming that a statutory act must be done in the manner prescribed and no other manner (Taylor v. Taylor; Khereshwar Mahadev Va Dauji Maharaj Samiti v. State of U.P.), the Court held that mere uploading on 'View Additional Notices and Orders' does not constitute valid service under Section 169.

Order

All writ petitions were disposed of with the following category-wise reliefs:

i) where SCN was served only by upload and ex parte order was passed for want of reply the proceedings restored to SCN stage with liberty to file reply within four weeks;

ii) where order-in-original was passed after contest but served only by upload, limitation for appeal not triggered, right to file appeal within four weeks;

iii) where appeal was dismissed on limitation with the order served only by upload, appellate order set aside and appeal restored to its original number for decision on merits; and

iv) where SCN was uploaded without response, ex parte adjudication order was passed, and the consequent appeal was also dismissed for delay, both orders set aside and proceedings restored to SCN stage with liberty to file reply within four weeks.

v) However, where the assessee had acknowledged the communication or acted upon the SCN and contested proceedings, section 160(2) would prevent the service from being subsequently questioned merely on that ground.

7. Refund Cannot Be Withheld Unless the Statutory Requirements of Section 54(11) are fulfilled [Rashmi Agency v. Deputy Commissioner CT & GST - High Court of Orissa - W.P.(C) No.17470 of 2026, decided on 25.06.2026]

Background

During a search operation conducted by DGGI under Section 67 of the GST Act at Hotel Rashmi Plaza, a sum of Rs. 33,00,000/- was recovered from the petitioner, Rashmi Agency, via DRC-03 and paid under protest. Due to an inadvertent error, the amount was credited to the GSTIN of Rashmi Agency instead of Hotel Rashmi Plaza, which was under investigation. When the petitioner's initial refund claim was rejected vide RFD-06, an appeal was preferred under Section 107, which was allowed in full by the Additional Commissioner of State Tax on 27.02.2026 on the ground that the recovery was made in contravention of CBIC Instruction No. 01/2022-23. Pursuant to this, the petitioner filed a refund application in Form GST RFD-01 on 05.03.2026. However, the Deputy Commissioner, by Order dated 02.05.2026 in Form GST RFD-06, refused to consider the application, citing that the six-month period available to the State under Section 112(3) to prefer appeal before the GST Appellate Tribunal had not yet elapsed, and that granting refund at this stage would be premature and adverse to revenue interest. Notably, no order of the Commissioner in Part A of Form GST RFD-07 existed, and no appeal or proceeding was pending as on the said date. The petitioner contended that the Deputy Commissioner had no jurisdiction to invoke Section 54(11), as only the Commissioner is empowered to withhold refund thereunder, and only where a proceeding is actually pending — not merely contemplated.

Issue Involved

Whether the Deputy Commissioner could lawfully refuse to consider the refund application by relying on the mere possibility of an appeal under Section 112(3), in the absence of any pending proceeding without satisfaction of statutory conditions prescribed u/s 54(11) read with Rule 92(2) i.e. without a Commissioner's order in Part A of Form GST RFD-07.

Contentions of the Respondent

The Revenue contended that if refund were granted before the expiry of the six-month period under Section 112(3), recovery of the amount would become difficult in the event the State's appeal before the Appellate Tribunal were decided in its favour. Reliance was placed on Section 54(11), which empowers withholding of refund where the refund order is the subject matter of an appeal or further proceeding, to argue that consideration of the refund application at this stage would be premature.

Court Observation

The Court held that Section 54(11) vests the power to withhold refund exclusively in the Commissioner and not the Deputy Commissioner. Such power is exercisable only upon satisfaction of two conditions: first, that the refund order is actually the subject matter of a pending appeal or proceeding; and second, that the Commissioner records an opinion that grant of refund is likely to adversely affect revenue. These conditions are not merely procedural but jurisdictional.

Rule 92(2), read with Form GST RFD-07, mandates that an order withholding refund be passed in Part A of the said Form with recorded reasons and neither of which existed in the present case.

The mere possibility of an appeal or the continuation of the period prescribed under Section 112 does not meet the statutory preconditions. On 02.05.2026, no appeal was pending before any forum; the State had filed its appeal only on 24.06.2026, after receiving a copy of the writ petition. The Court further emphasised that the Deputy Commissioner, being a subordinate authority, could not sit over the appellate order of the Additional Commissioner unless the same was stayed by a competent authority.

Order

The Order dated 02.05.2026 was set aside. The matter was remitted to the Deputy Commissioner for fresh consideration of the refund application of Rs. 33,00,000/- within two weeks, with due opportunity of hearing, consideration of the petitioner's reply dated 29.04.2026, and keeping in view CBIC Instruction No. 01/2022-23. The authority was directed to pass a reasoned order in accordance with law.

8. Appellate Authority Exceeded Its Jurisdiction by Remanding the Matter Under Section 107 [Shyam Traders v. State of West Bengal - High Court of Calcutta - W.P.A. No. 2357 of 2025, decided on 09.07.2026]

Background

The Adjudicating Authority passed an ex parte Order-in-Original dated 11.09.2023 under Section 73(9) of the CGST/WBGST Act, 2017, confirming a demand of tax, interest and penalty aggregating to Rs. 18,19,565.91 for FY 2017-18. The demand arose under two heads; tax alleged to have been short-paid on outward supplies and ITC alleged to have been availed in excess of the permissible limit. Aggrieved, the petitioner preferred a statutory appeal under Section 107. The Appellate Authority, by Order-in-Appeal dated 20.05.2024, directed the petitioner to appear before the Adjudicating Authority and produce requisite documentary evidence for allowing admissible ITC and settling the matter. The petitioner contended that this direction amounted to an impermissible remand, as Section 107(11) expressly prohibits the Appellate Authority from referring a case back to the authority that passed the order. A subsequent rectification application filed under Section 161 was rejected on 16.09.2025 solely on the ground of limitation, without any adjudication on the jurisdictional issue raised by the petitioner.

Issue Involved

"Whether the Appellate Authority, while exercising its powers under Section 107 of the said Act, is empowered to remand the matter to the Adjudicating Authority whose order was the subject matter of the appeal."

Contentions of the Respondent

The Revenue contended that since the petitioner had itself invoked the jurisdiction of the Appellate Authority by filing a rectification application under Section 161, and the same was rejected on the ground of limitation, the rectification rejection order had merged with the Order-in-Appeal. It was therefore urged that the writ petition was not maintainable and that the petitioner ought to avail the statutory appellate remedy against the impugned orders.

Court Observation

The Court held that a plain reading of Section 107(11) makes it unequivocally clear that the Appellate Authority is empowered only to confirm, modify, or annul the order under appeal, and is expressly prohibited from referring the case back to the Adjudicating Authority. Where further inquiry is required, the Appellate Authority must conduct such inquiry itself and thereafter adjudicate on merits.

Since the Appellate Authority had already recorded a finding that the excess ITC stood reversed on record, it ought to have logically concluded the proceedings by modifying the demand, rather than relegating the petitioner to the Adjudicating Authority. The remand direction was therefore contrary to the express statutory mandate and was a nullity in the eye of law.

On the question of maintainability, the Court held that rejection of the rectification application on limitation does not result in its merger with the Order-in-Appeal so as to bar the writ petition. The defect was not one of merits but of jurisdiction and the Appellate Authority had exercised a power that the statute expressly withholds.

Such jurisdictional infirmity cannot be rendered immune from writ scrutiny merely because a rectification application was rejected as time-barred. The existence of an alternative statutory remedy is not an absolute bar where the action is ex facie without jurisdiction or in patent violation of an express provision.

Order

The operative remand portion of the Order-in-Appeal dated 20.05.2024 was set aside. Consequently, the order dated 16.09.2025 rejecting the rectification application was also set aside. The matter was remitted to the Appellate Authority for fresh decision strictly within the contours of Section 107(11), without any remand to the Adjudicating Authority, with opportunity of hearing to the petitioner and directions to conclude proceedings preferably within eight weeks.

Contributed by CA Madhav Jha & CA Kapil Sharma

GSTN ADVISORIES

(A) Advisory on Keeping on Hold the Proposed e-Way Bill Enhancements

GSTN had earlier issued advisories dated 9th June 2026 and 17th June 2026 regarding certain proposed enhancements to the e-Way Bill system, with the scheduled date of implementation as 1st August 2026. Detailed FAQs relating to these enhancements were also issued on 2nd July 2026.It is hereby informed that the implementation of the above-mentioned enhancements has been kept on hold until further noticeAccordingly, all stakeholders are advised that no changes are required to be implemented in the production environment pursuant to the aforesaid advisories until further communication.All related advisories, along with the FAQs issued, shall also be withdrawn from the GST Portal.

(B) Advisory on Revision of Timeline for Amendment of Aggregate Annual Turnover (AATO), 2026

It is informed that the Aggregate Annual Turnover (AATO) functionality is currently being upgraded to enable automatic updation of AATO as subsequentreturns are filed post amendment window. As this enhanced functionality is being deployed from 1st July 2026, the window for amendment of AATO bytaxpayers for FY 2025-26 has been revised on the GST Portal.

GSTN had earlier issued an advisory dated 02 May 2022 regarding the functionality for amendment of Aggregate Annual Turnover (AATO) on the GSTPortal, which was applicable for AATO till FY 2024-25. Under the said advisory, taxpayers were provided the facility to amend their turnover during themonth of May.

In continuation thereof, it is informed that the timelines for submission of amendment applications and verification of amended AATO details by TaxOfficers, in respect of FY 2025-26, have been revised.

To ensure greater consistency, accuracy, and uniformity in the reporting of AATO across various modules of the GST Portal, certain system-levelenhancements are being implemented. Consequently, the revised timelines for amendment of AATO for FY 2025-26 by the taxpayers and subsequentaction by the tax officers are as under:

Activity	Timeline
AATO Amendment Application window for FY 2025-26	01 July to 31 July 2026
Review by jurisdictional Tax officer	01 Aug to 15 Aug 2026

Accordingly, the facility for amendment of AATO, which was earlier available during May as per the previous advisory, shall now be made available from 01 July to 31 July 2026 for FY 2025-26. The amended AATO details will be available for review of Tax Officers from 01 Aug to 15 Aug. All taxpayers are requested to take note of the revised timelines and carefully review the AATO details while submitting the amendment application and ensuring that the amended details are accurate before submission. In case of any difficulty or concern, taxpayers are advised to raise a grievance through the Self-Service Portal available on the GST Portal, along with all relevant details, to facilitate prompt and effective resolution.

QUIZ

1. **M/s Rahul Enterprises, a registered taxpayer providing security services, received a summons from the State tax authorities calling upon it to produce documents and records for verification purposes. A few months later, the Central authorities issued a show cause notice proposing a tax demand on specific alleged discrepancies in outward supplies. Around the same time, the taxpayer contended that since it had earlier received summons from the same Central authority (not a separate State authority) on a related matter, the subsequent show cause notice was barred as a "parallel proceeding."**
   Based on this scenario, which statement correctly reflects the legal position?
   (A) The summons itself amounts to initiation of proceedings, so the subsequent show cause notice is barred as a parallel proceeding
   (B) A show cause notice specifying alleged contraventions and the demand raised marks the actual initiation of proceedings; mere summons calling for information/documents does not amount to initiation, so there is no bar here
   (C) Since the actions were taken by the two different tax administration, the question of parallel proceedings does not arise at all
   (D) The taxpayer can never object to consecutive actions taken by the any authority
2. **ABC Pharma Ltd. distributes medicine samples free of cost to doctors and hospitals as part of its marketing strategy, without charging any consideration. ABC Pharma had availed input tax credit on the inputs and input services used in manufacturing these samples. What is the correct treatment of ITC in this case?**
   (A) ITC can be fully availed since the samples were distributed in the course or furtherance of business
   (B) ITC must be reversed, since free distribution without consideration does not qualify as "supply," unless it falls within the scope of activities specified in Schedule I
   (C) ABC Pharma may choose to pay tax on the value of samples along with applicable interest, and thereby retain the credit
   (D) ITC reversal is not required as long as GST was originally paid on the inputs used
3. **XYZ Ltd. incorporates a clause in its employment contracts requiring an employee to serve a minimum period of 2 years. If the employee leaves the organization before completing this minimum period, XYZ Ltd. either forfeits part of the employee's salary or recovers a pre-agreed bond amount from the employee.**
   Whether GST is applicable on such amount recovered by XYZ Ltd. from the employee?
   (A) GST is applicable, since the employer is tolerating the act of the employee leaving prematurely, which amounts to a "supply" of service
   (B) GST is not applicable, since such recovery is in the nature of a penalty and not a consideration for any service of tolerating an act
   (C) GST is applicable, but only on the portion of the amount that exceeds the actual cost incurred by the employer on training and recruitment
   (D) GST is exempted under Notification No. 12/2017 Central Tax (Rate) 28-06-2017
4. **ABC Insurance Ltd. pays a reinsurance premium of ₹8,50,000 to XYZ Ltd. (reinsurer), after deducting ceding commission of ₹1,50,000. XYZ has paid GST on reinsurance premium at ₹8,50,000. In this scenario, on which amount is GST payable by ABC Insurance Ltd.?**
   (A) ₹10,00,000
   (B) ₹1,50,000
   (C) ₹8,50,000
   (D) No GST is payable as transaction covered under schedule III
5. **A department store receives an online order from an out-of-State customer for a Diwali gift pack, which is supplied for a single consolidated price and the individual items are not sold separately. The gift pack contains:**
   i) Almonds (100 g)
   ii) Cashews (100 g)
   iii) Aerated drink containing sugar (300 ml)
   iv) Chocolate (150 g)
   v) Artificial Honey Syrup (50 g)
   The total price of the gift pack is ₹3,200.
   The applicable IGST rates are:
   i) Almonds, cashews, biscuits and chocolate – 5%
   ii) Aerated drink containing sugar – 40%
   iii) Artificial Honey Syrup – 18%
   At what rate will GST be chargeable on this supply?
   (A) 5% on ₹3,200
   (B) 40% on ₹3,200
   (C) 18% on ₹3,200
   (D) Rates applicable to individual items
6. **A partnership firm has the following receipts during FY 2024-25:**
   i) ₹18 lakh from taxable consultancy services in Delhi
   ii) ₹6 lakh from exempt interest income on loans in Haryana
   iii) ₹4 lakh from taxable intra-State supply of goods from Haryana (separate godown, same PAN)
   iv) ₹3 lakh received as reimbursement of pure agent expenses (properly documented) in Delhi
   Which of the following is correct regarding registration requirement?
   (A) Registration required in both state as aggregate total turnover exceeds ₹20 Lakh
   (B) Registration is required only in Delhi

(C) Registration is not required since interest income is exempt

(D) Registration is not required in any State, as the taxable turnover in each State does not exceed ₹20 lakh

7. A registered person files the return for the month of August 2025 on 10 October 2025, whereas the due date for filing the return was 20 September 2025. On 20 September 2025, he had an input tax credit balance of ₹6,00,000 in his electronic credit ledger and a balance of ₹2,00,000 in his electronic cash ledger. The total tax liability for the said month was ₹10,00,000 Interest under the GST law shall be payable:

(A) On the entire tax liability of ₹10,00,000

(B) Only On ₹6,00,000

(C) Only On ₹4,00,000

(D) Only On ₹2,00,000

8. A taxpayer is issued a Show Cause Notice (SCN) under Section 73 of the CGST Act by department demanding tax along with interest and penalty. However, no intimation in FORM GST ASMT-10 was issued to the taxpayer prior to the issuance of the SCN.

Which of the following is applicable in this scenario?

(A) The SCN is invalid because issuance of FORM GST ASMT-10 is mandatory before issuing an SCN under Section 73.

(B) The SCN is valid, since issuance of FORM GST ASMT-10 is not a mandatory pre-condition for issuing an SCN under Section 73.

(C) The SCN is invalid and must be withdrawn, and proceedings can be initiated only after issuing ASMT-10.

(D) The SCN is valid only if the taxpayer first replies to ASMT-10 and accepts the discrepancy.

9. We Ltd. purchases a commercial space from a builder for setting up its new office. The building is under construction, and GST is charged by the builder on such supply. Initially, the premises are intended to be used for We Ltd.'s own business, and subsequently it is proposed to be leased out on a taxable basis. We Ltd. is of the view that it can claim input tax credit (ITC) after the premises is leased out.

Which of the following views is correct under GST law?

(A) ITC is allowed once the outward supply (leasing) becomes taxable.

(B) ITC is allowed proportionately for the period during which the premises is leased.

(C) ITC is permanently blocked under Section 17(5) of the CGST Act.

(D) ITC is allowed as the premises is used in the course and furtherance of business.

10. Under the GSTAT (Procedure) Rules, 2025 (effective from 24 April 2025), the Tribunal has laid down procedural requirements for filing appeals. Which of the following statements correctly reflects the requirement for filing their second appeal before GSTAT?

(A) They must upload the appeal electronically on the GSTAT e-filing portal

(B) They can file the appeal physically at the Tribunal Registry and submit a copy electronically later

(C) They are required to file the appeal by email to the GSTAT Registrar with supporting documents

(D) They can submit the appeal in paper form first and then scan and upload it within 30 days

The names of first five members who were the top scorers in the last Quiz are as under:

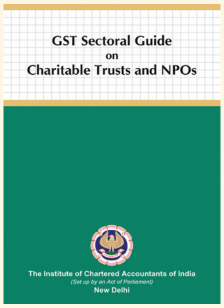
Name	Membership No.
CA Aman Kabra	449858
CA Nilankar Kumar Arya	535018
CA Gaurav Sharma	562176
CA Bhaskar Aabad	480421
CA Anoop Kumar Sharma	459460

Please provide reply of the above MCQs in the link given below. ***Top five scorers will be awarded hard copy of the publication 'GST Act(s) and Rule(s)- Bare Law' & their names will be published in the next edition of the Newsletter.***
Link to reply: - ***https://forms.gle/QkjDTaBqkXQzoKHw5***

PUBLICATION

GST Sectoral Guide on Charitable Trusts and NPOs

Recognising that GST implications vary across sectors, the GST & Indirect Taxes Committee has launched the industry-Specific GST Publication Series. As the first publication in this series, "GST Sectoral Guide on Charitable Trusts and NPOs" provides a comprehensive analysis of the applicable statutory provisions, exemptions, treatment of grants and donations, input tax credit implications, and key judicial pronouncements



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

Certificate Course on GST at Patna

Organised by:
GST & Indirect Taxes Committee

October 2026- 03,04,10,11,17,18,24,25 & 31
November 2026- 01

10:00 am to 05:00 pm

Patna Branch of CIRC of the
Institute of Chartered Accountants of India
ICAI BHAWAN, 309, Jagat Trade Centre, Fraser Road
Bihar, Patna 800001, India

An exhaustive 10-Days course for building capacities of members in GST and equipping them to take up new opportunities in the field of GST.

Follow GST & IDT Committee's WhatsApp Channel

Keynote Speakers

CA. Umesh Sharma
Chairman
GST & Indirect Taxes Committee

CA. Rajendra Kumar P
Vice-Chairman
GST & Indirect Taxes Committee

FEES
₹12,000 /- plus GST

30 CPE Hours
(25 hours after the classes + 5 hours after the Assessment Test)

Background Material on GST & GST Act(s) and Rule(s)-Bare Law will be provided as Course Material

Registration Link
https://learning.icai.org/committee/gst/patna/batch-169/

Details about the Course
https://idtc.icai.org/about-certificate-course.html

TOPICS

- Introduction to GST & Constitutional provisions related to GST
- Supply & Levy of GST
- Composition Levy
- Classification
- Nature of Supply
- Time of Supply
- Place of Supply
- Valuation
- Reverse Charge Mechanism
- Import and Export Under GST
- Registration
- Input Tax Credit
- Input Service Distributor and Job Work
- Finalization of accounts from GST perspective
- Exemptions under GST
- Maintenance of Books of account and records
- Return & Payment of Tax
- E-way Bill & E-invoicing
- Assessment
- Audit by tax authorities
- Refunds
- Annual Return & Reconciliation Statement
- Inspection, Search & Seizure
- Demand Recovery
- Offences and Penalties
- Appeals & Revision
- Advance Ruling
- Handling notices/demands/ appeals
- Case studies
- Recent Judicial Pronouncements
- Ethical Practice & Professional Oppourtunities

Contact us: gst@icai.in / 0120-3045954

"Stay instantly connected with the latest in GST and other indirect taxes through the Official WhatsApp Channel and X (formerly Twitter) handle of the GST & Indirect Taxes Committee of the Institute of Chartered Accountants of India. Scan the QR Code or click https://www.whatsapp.com/ channel/0029VbC5pZYATRSrKi8c4s0r to join the WhatsApp Channel, and follow us on X (formerly Twitter) at https://x.com/ gstidtcicai for timely updates and insights."

The **ICAI-GST Newsletter** being the property of **The Institute of Chartered Accountants of India** published from ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi-110002 and Printed from **M/s CDC Printers Pvt Ltd,** Tangra Industrial Estate- II (Bengal Pottery), 45, Radhanath Chaudhary Road, Kolkata-700015. Compiled by **CA Umesh Sharma**