GST NEWSLETTER

COMMERCIAL TAX DEPARTMENT, GOVERNMENT OF KARNATAKA

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Oath Taking Ceremony of Hon'ble Chief Minister **D.K. Shivakumar**

Release of CTD Officers' Diary 2026-27 by Hon'ble CM **Sri.D.K. Shivakumar** and Officers' Association President **Sri Ramesh Kumar**

FROM THE DESK OF EDITOR

S. R. Thulasidas
Editor

The State-wise GST revenue collections up to the month of May 2026 present an encouraging picture for Karnataka. The State has recorded a growth of 9% in GST collections, significantly outperforming the national growth rate of 1%. This achievement reflects the sustained efforts of the tax administration, the growing economic activity within the State, and the increasing level of tax compliance among taxpayers.

While this performance is commendable, it must be viewed in the context of the ambitious revenue targets set for the financial year 2026–27. Achieving these targets will require continued focus, strategic planning, and proactive measures throughout the year. The initial months of any financial year are crucial in setting the pace for subsequent performance. It is therefore imperative that all officers of the Department intensify their efforts, strengthen enforcement and compliance initiatives, and closely monitor revenue trends to ensure that the desired objectives are achieved. A collective and result-oriented approach at this stage will significantly contribute to sustaining Karnataka's leadership in GST revenue mobilisation.

This edition of the GST Newsletter presents a diverse collection of articles and judicial developments that are highly relevant to tax administrators, professionals, and taxpayers alike. The issue covers important topics such as the legality of multi-year show cause notices, developments relating to input tax credit, recent changes concerning , issues arising under the inverted duty structure, and various adjudication-related challenges. The articles also examine the evolving balance between tax enforcement and adherence to the principles of natural justice, while highlighting the constructive role expected of GST professionals in promoting compliance and reducing litigation.

The newsletter further features a compilation of significant judicial pronouncements delivered by various High Courts across the country. These include rulings concerning the protection available to bona fide purchasers, disputes relating to input tax credit, exemption of GST on healthcare services, and the protection afforded to advocates acting in their professional capacity. Important decisions dealing with revocation of GST registration, restoration of natural justice in ex-parte assessment proceedings, and the transfer of unutilized input tax credit pursuant to schemes of amalgamation—particularly where the transferor and transferee entities are registered in different States—have also been discussed. These judgments not only clarify important legal principles but also provide valuable guidance for both administrators and taxpayers navigating the GST regime.

I sincerely encourage officers, tax professionals, and other stakeholders to actively contribute articles, case analyses, and practical insights. Greater participation will not only enrich the quality and diversity of content but will also enhance the overall presentation and impact of the newsletter. With collective effort, we can continue to strengthen this publication as a meaningful forum for learning, discussion, and dissemination of knowledge in the field of GST.

This edition holds special significance for the Editor, who has been entrusted with the opportunity to continue leading the GST Newsletter in the months ahead. It is both a privilege and a responsibility to contribute to a platform that facilitates knowledge sharing, professional development, and constructive dialogue within the GST ecosystem.

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1	M/S Metal Syndicate And Other	The Union Of India And Others	2026	The Gauhati High Court	WP(C)/2960 /2026	5	It underscores that honest businesses should not suffer for supplier defaults beyond their control while reaffirming the need for taxpayers to maintain proper documentation and compliance records to substantiate their entitlement to ITC.
2	M/S Healthcare Global Enterprises Ltd	Acct (Enf), Sz And Others	2026	High Court Of Karnataka	W.P. No. 22236 OF 2023	7	Healthcare institutions would be well advised to closely monitor further developments and undertake a comprehensive review of their existing agreements, billing structures, and operational models to evaluate potential GST exposures and ensure compliance with evolving tax interpretations.
3	Samarpan Jain	State Of U.P. And 2 Others	2025	Allahabad High Court	W.P. No. - 23443 of 2025	9	It reinforces the principle that fearless advocacy remains an indispensable pillar of the rule of law and the administration of justice in India.
4	M/S R B Enterprises	Commissioner, Central Goods & Services Tax And Others.	2026	High Court Of Uttarakhand	W.P. No. 397 OF 2026	11	It reinforces the principle that GST authorities should act fairly and consistently while exercising statutory powers and that bona fide taxpayers willing to rectify defaults deserve an opportunity to restore compliance
5	M/S Leadingly Trading Llp	Dcct (Audit)-3.2 & Others	2026	High Court Of Karnataka	W.P. No.14238 OF 2026	13	Tax authorities must ensure reasonable and effective opportunities for taxpayers to respond before finalizing assessments. Ex-parte orders passed without adequate hearing remain vulnerable to judicial scrutiny and challenge.

Sl. No.	Name of Petitioner	Name of Respondent	Year	Court	WP / AP No.	Page No.	Crux of the Case / Judgment
6	The Commissioner Of Central Tax, Bengaluru, North-West Division	M/S Chimney Hills Education Society	2024	High Court Of Karnataka	Writ Appeal No.1751 of 2024	15	The ruling provides significant support to GST authorities in conducting consolidated proceedings while preserving taxpayers' rights to challenge demands on limitation, jurisdiction, and merits, making it an important precedent in GST jurisprudence.
7	M/S. Idea Traders	Assistant Commissioner Of Commercial Taxes	2026	High Court Of Karnataka	W.P. No.9974 of 2026	17	The decision serves as an important reminder that principles of natural justice remain central to GST adjudication proceedings.
8	M/S Tech Desire Infra Private Limited	The Commissioner Of Commercial Taxes	2026	High Court Of Karnataka	W.P. No.13047 of 2026	19	The ruling once again underscores the judiciary's consistent view that tax disputes involving substantive rights and liabilities should ordinarily be decided only after taxpayers are provided a fair, effective, and meaningful opportunity of hearing and adherence to principles of natural justice
9	Emerson Process Management (India) Pvt Ltd	Union Of India &Ors.	204	High Court Of Gujarat	SCA No.7006 of 2024	21	This ruling provides relief to taxpayers involved in mergers and amalgamations, reinforcing the principle that legitimate tax entitlements arising from approved corporate reorganizations cannot be denied due to procedural hurdles or limitations of the GST portal

Gauhati High Court Protects Bona Fide Purchasers' Input Tax Credit

The Gauhati High Court
WP(C)/2960/2026
05.06.2026

In a significant ruling that strengthens taxpayer protections under the GST regime, the Gauhati High Court in M/s Metal Syndicate &Anr. v. Union of India & Others has reaffirmed that a genuine purchaser cannot be denied Input Tax Credit (ITC) solely because the supplier fails to deposit the tax collected from the purchaser with the Government. The judgment reinforces the principle that the burden of a supplier's tax default cannot be shifted to a bona fide recipient who has complied with all statutory requirements.

The case arose from proceedings initiated by GST authorities against the petitioner for allegedly availing inadmissible ITC amounting to 78.70 lakh during the period from July 2017 to March 2019. The department alleged that the purchases claimed by the petitioner were not supported by actual receipt of goods and, therefore, the corresponding ITC was wrongly availed. Based on these allegations, demand orders were issued seeking recovery of tax along with interest and penalty. The taxpayer's appeal was also dismissed, prompting a challenge before the High Court.

The petitioner contended that all transactions were genuine and duly supported by documentary evidence. Valid tax invoices had been issued by registered suppliers, payments had been made through banking channels, and the transactions had been properly disclosed in GST returns and books of account. The petitioner argued that it had fulfilled all conditions prescribed under Section 16 of the CGST Act, 2017 for availing ITC and could not be expected to ensure that suppliers subsequently discharged their tax liabilities.

Upon examining the records, the High Court found that the department had failed to establish that the transactions were fictitious or that the goods had not actually been received. The Court also noted that no incriminating material had been discovered during departmental searches or investigations that could indicate fraudulent conduct on the part of the petitioner. In the absence of evidence demonstrating collusion or participation in any tax evasion arrangement, the denial of ITC could not be sustained.

The Court relied on its earlier Division Bench decision in National Plasto Moulding v. State of Assam, which held that a purchasing dealer cannot be held responsible for ensuring that a supplier deposits the tax collected from customers. It also referred to the Delhi High Court's decision in On Quest Merchandising India Pvt. Ltd. v. Government of NCT of Delhi, where a similar view was taken. These precedents recognize the practical reality that purchasers have limited means to verify a supplier's subsequent tax compliance.

Reiterating these principles, the Gauhati High Court held that once a purchaser possesses valid tax invoices, has received the goods or services, and has made payment through legitimate channels, ITC cannot be denied merely because the supplier defaults in remitting tax to the Government. The appropriate remedy for the authorities is to proceed against the defaulting supplier rather than penalize an innocent recipient.

Accordingly, the Court set aside both the Order-in-Original and the appellate order confirming the tax demand, interest, and penalty. However, it clarified that the protection would not apply where evidence of fraud, collusion, or lack of bona fides is established.

The judgment is an important addition to the growing body of jurisprudence safeguarding legitimate ITC claims. It underscores that honest businesses should not suffer for supplier defaults beyond their control while reaffirming the need for taxpayers to maintain proper documentation and compliance records to substantiate their entitlement to ITC.

Editor

Supreme Court to Settle Key GST Dispute on Multi-Year Show Cause Notices

Mr. M. P. Ravi Prasad
Addl. CCT

A significant procedural issue under the Goods and Services Tax (GST) regime is awaiting resolution before the Supreme Court. The controversy concerns whether tax authorities can issue a single Show Cause Notice (SCN) covering multiple financial years under Sections 73 and 74 of the Central Goods and Services Tax (CGST) Act, 2017. The issue has assumed considerable importance as GST authorities increasingly issue consolidated notices spanning several years, particularly in cases involving alleged wrongful availment of Input Tax Credit (ITC), suppression of turnover, and tax evasion.

The dispute arises from conflicting judicial interpretations regarding the nature of tax periods under the GST framework. While tax authorities view consolidated notices as an efficient mechanism for dealing with continuing irregularities, taxpayers have challenged their validity on the ground that each financial year constitutes a separate tax period requiring independent proceedings.

The Bombay High Court has consistently held that a separate show cause notice must be issued for each financial year. The Court observed that the limitation provisions prescribed under Sections 73(10) and 74(10) of the CGST Act are linked to the annual return for the relevant financial year, indicating a legislative intent to treat each year independently for assessment and recovery purposes. According to this interpretation, every financial year gives rise to a distinct cause of action and therefore requires separate adjudication.

The Court further noted that clubbing multiple years into a single notice may create procedural difficulties for taxpayers. Different years may involve distinct transactions, exemptions, classification issues, valuation disputes, and evidentiary requirements. A consolidated proceeding may therefore compel taxpayers to address diverse allegations through a single response, potentially affecting their ability to present an effective defense. The Court viewed such notices as inconsistent with the statutory framework of the GST law and contrary to the principles of natural justice.

In contrast, the Delhi High Court has adopted a more pragmatic approach. While dealing with cases involving alleged fraudulent ITC claims and continuing tax evasion arrangements extending across multiple years, the Court held that neither Section 73 nor Section 74 expressly prohibits the issuance of a consolidated notice. It observed that where allegations arise from a common modus operandi or a continuing course of conduct, a single SCN may be justified in the interest of administrative efficiency.

The Delhi High Court emphasized that the validity of a consolidated notice should depend on whether taxpayers are provided adequate details and a meaningful opportunity to respond. Where year-wise demands, allegations, and supporting facts are clearly specified, the mere fact that multiple years are covered in one notice should not render it invalid. This approach seeks to balance taxpayer rights with the practical needs of tax administration and fraud detection.

The divergent views of the Bombay and Delhi High Courts have created uncertainty in GST enforcement proceedings across the country. Recognizing the importance of the issue, the Supreme Court is now expected to provide authoritative clarity. The Court is likely to examine whether consolidated SCNs are contrary to the statutory scheme of the CGST Act, whether such defects are jurisdictional or merely procedural, and how taxpayer rights can be balanced against administrative efficiency.

The forthcoming judgment is expected to have significant implications for GST adjudication and enforcement. A ruling requiring separate notices for each financial year could affect numerous pending proceedings and alter current departmental practices. Conversely, validation of consolidated notices may strengthen the department's ability to investigate and adjudicate cases involving continuing tax irregularities. Until the issue is settled, it is better to issue separate notices for each yeas as far as it is possible so that judgment would not hit the judicial proceedings. The decision is expected to bring much-needed certainty to an important aspect of GST procedural law.

Karnataka High Court Examines GST Exemption for Healthcare Services

High Court of Karnataka
W.P. No. 22236 OF 2023
30th April 2026

In a significant development for the healthcare sector, the Karnataka High Court has considered an important dispute concerning the GST treatment of healthcare services rendered through a collaborative hospital arrangement. The case, involving Healthcare Global Enterprises Ltd. (HCG) and the State tax authorities, raises critical questions regarding the scope of the GST exemption available to healthcare service providers operating under revenue-sharing and management-based models.

The controversy arose after the tax authorities issued show-cause notices alleging that the revenue earned by HCG under a medical services agreement was not exempt healthcare income but constituted taxable "support services" falling under Service Accounting Code (SAC) 9985. According to the department, the consideration received by HCG was liable to GST at 18 percent. Challenging this view, HCG approached the High Court, contending that its activities were squarely covered by the exemption granted to healthcare services under Notification No. 12/2017-CGST (Rate).

Under the arrangement in question, HCG provided specialised medical services at a hospital operated by Suchirayu Health Care Solutions Ltd. The agreement envisaged a collaborative model under which HCG deployed doctors, oncologists, specialists, technicians, nurses, and paramedical staff to deliver treatment and healthcare services to patients. Rather than receiving a fixed fee, HCG was entitled to 75 percent of the gross revenue generated from patient care and related hospital activities. The revenue pool included collections from consultations, diagnostics, investigations, surgeries, pharmacy services, inpatient and outpatient treatment, and other allied healthcare services.

HCG argued that the substance of the transaction must prevail over its contractual form. According to the company, the services provided to patients were undeniably healthcare services, and merely because the parties adopted a revenue-sharing mechanism could not alter the essential nature of those services. It maintained that healthcare services delivered through qualified medical professionals continue to enjoy GST exemption irrespective of the commercial arrangement between collaborating healthcare entities.

The company further relied on various clarifications issued by the GST Council and departmental circulars that recognise the broad scope of healthcare service exemptions. It contended that the exemption is intended to reduce the tax burden on medical treatment and patient care and should therefore be interpreted in a manner consistent with that objective.

On the other hand, the tax authorities maintained that the payments received by HCG represented consideration for business support or operational services provided to the partner hospital. From the department's perspective, the contractual relationship was between HCG and Suchirayu Health Care Solutions Ltd., making the receipts taxable as support services supplied by one business entity to another rather than exempt healthcare services rendered directly to patients.

The dispute assumes considerable importance for the healthcare industry, particularly for hospitals, diagnostic centres, specialty clinics, and healthcare networks that increasingly operate through collaborative arrangements, management contracts, outsourcing models, and revenue-sharing agreements. A judicial determination on whether such services retain their character as exempt healthcare services could significantly influence GST liability across the sector.

The outcome of the case is likely to provide valuable guidance on the distinction between exempt healthcare services and taxable support services under GST. Healthcare institutions would be well advised to closely monitor further developments and undertake a comprehensive review of their existing agreements, billing structures, and operational models to evaluate potential GST exposures and ensure compliance with evolving tax interpretations.

Editor

Supreme Court Keeps Section 16(2)(c) GST Challenge Alive: A Crucial Battle for Input Tax Credit

S.R. Thulasidas
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In a development that could have far-reaching implications for the GST framework, the Supreme Court has kept alive the constitutional challenge to Section 16(2)(c) of the Central Goods and Services Tax (CGST) Act, 2017. The provision makes a recipient's entitlement to Input Tax Credit (ITC) contingent upon the supplier having actually paid the corresponding tax to the Government. The issue has long been a source of concern for businesses, as it potentially exposes bona fide taxpayers to denial of credit for circumstances entirely beyond their control.

The latest development arises from the case of M/s Prime Metals v. CBIC & Others. The petitioner challenged not only the assessment order denying ITC but also the constitutional validity of Section 16(2)(c). While the Supreme Court declined to bypass the statutory appellate mechanism in relation to the assessment proceedings, it considered the constitutional challenge worthy of examination and issued notices to the Union Government and various State Governments. By doing so, the Court has signaled that the issue raises substantial questions of law requiring authoritative adjudication.

At the heart of the dispute lies a fundamental question: can a genuine purchaser be denied ITC merely because the supplier has failed to deposit tax with the Government or has defaulted in filing statutory returns? Taxpayers contend that once they have fulfilled all obligations prescribed under the GST law—such as possessing valid tax invoices, receiving goods or services, making payment to the supplier, and maintaining proper records—they should not be penalized for the supplier's subsequent non-compliance.

The challenge assumes significance because recipients generally have no statutory authority or practical means to compel suppliers to discharge their tax liabilities. Consequently, businesses argue that imposing such a condition creates an impossible burden and undermines the very objective of a seamless credit chain under GST. Constitutional objections have therefore been raised on the grounds that the provision is arbitrary and imposes unreasonable restrictions on trade and business, potentially violating Articles 14 and 19(1)(g) of the Constitution of India.

The judicial landscape on this issue remains divided. Certain High Courts, including the Kerala High Court, have upheld the validity of Section 16(2)(c), observing that ITC is a statutory benefit rather than a vested right and can therefore be subjected to conditions imposed by the legislature. According to this view, compliance by both supplier and recipient forms an integral part of the GST credit mechanism.

On the other hand, some courts have adopted a more taxpayer-friendly approach. The Tripura High Court, among others, has emphasized the need to protect bona fide purchasers who have exercised reasonable diligence and complied with all requirements within their control. These decisions recognize the practical difficulties faced by businesses in monitoring the tax compliance behaviour of suppliers after completion of a transaction.

Until the Supreme Court settles the issue, taxpayers should continue to challenge adverse ITC orders through the prescribed appellate channels while preserving constitutional arguments wherever appropriate. Businesses would also be well advised to strengthen their compliance framework by maintaining robust documentation, including tax invoices, proof of receipt of goods or services, payment records, supplier due diligence documents, and periodic reconciliations with GSTR-2A and GSTR-2B.

The Supreme Court's decision to examine the constitutional validity of Section 16(2)(c) offers renewed hope to genuine taxpayers facing ITC denial due to supplier defaults. Although the provision continues to remain operative, the eventual ruling has the potential to redefine the balance between revenue protection and taxpayer rights, significantly influencing GST compliance, litigation, and commercial risk management across the country.

Allahabad High Court Reinforces Protection of Advocates Acting in Professional Capacity

Allahabad High Court
W.P. No. - 23443 of 2025
Dated: 21.05.2026.

In a significant ruling In a significant ruling reinforcing the independence of the legal profession, the Allahabad High Court has quashed criminal proceedings initiated against an advocate who represented a GST assessee in appellate proceedings. The judgment serves as an important reminder that lawyers cannot be subjected to criminal prosecution merely for performing their professional duties or advancing legal arguments on behalf of their clients.

The controversy arose when a GST officer lodged a First Information Report (FIR) alleging conspiracy, tax evasion, and other offences against both the taxpayer and his legal counsel. The allegations against the advocate stemmed from his role in advising the assessee and filing an appeal under the GST law using a particular method of making the mandatory statutory pre-deposit. The pre-deposit had been made through the Electronic Credit Ledger by utilizing available Input Tax Credit (ITC), a practice that had become the subject of legal debate across various jurisdictions.

The petitioner, a practicing advocate specializing in taxation matters, challenged the proceedings and contended that all actions undertaken by him were strictly within the scope of his professional responsibilities. He argued that the appeal was filed based on a bona fide legal interpretation supported by judicial precedents. Several courts had previously examined the issue and recognized the permissibility of utilizing ITC balances for statutory pre-deposit requirements in GST appeals. Therefore, the legal position adopted by him was neither frivolous nor devoid of legal backing

While examining the matter, the High Court observed that an advocate's professional opinion or legal strategy cannot become the basis for criminal prosecution merely because the interpretation is disputed or subsequently found to be incorrect. The Court emphasized that legal practice inherently involves presenting competing interpretations of law, and the justice delivery system depends upon lawyers being able to represent their clients fearlessly and independently.

The Bench further noted that advocates frequently represent individuals and entities facing allegations of wrongdoing. However, such representation by itself does not establish participation in, or knowledge of, any alleged offence committed by the client. Criminal liability cannot be inferred simply because a lawyer acted as counsel, drafted documents, filed appeals, or advised a client on available legal remedies. To hold otherwise would create a dangerous precedent that could deter advocates from effectively discharging their professional obligations.

The Court expressed concern that prosecuting lawyers for acts performed in their professional capacity would undermine the very foundation of the legal system. Such actions could have a chilling effect on the legal profession, discourage independent legal advice, and impede access to justice. The judgment highlighted that the constitutional guarantees of equality before law and fair procedure under Articles 14 and 21 necessarily include the right of individuals to obtain effective legal representation without fear that their counsel may be criminally targeted for performing legitimate professional functions..

Finding no material to suggest any criminal intent, personal involvement, or unlawful gain on the part of the advocate, the High Court concluded that the allegations were unsustainable. Consequently, it quashed the FIR, charge-sheet, and cognizance order against the advocate.

The ruling stands as a significant affirmation of the autonomy of the legal profession and reiterates that advocates cannot be treated as co-conspirators merely for representing clients or advancing legal positions supported by a plausible interpretation of law. It reinforces the principle that fearless advocacy remains an indispensable pillar of the rule of law and the administration of justice in India.

Editor

GST Refunds under Section 54(3): Key Judicial Developments on Exports under LUT and Inverted Duty Structure

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Refund of unutilised Input Tax Credit (ITC) is one of the most significant benefits available to taxpayers under the GST regime. Section 54(3) of the Central Goods and Services Tax (CGST) Act, 2017 permits refund of accumulated ITC in specified situations, particularly in cases of zero-rated supplies and inverted duty structures. Recent judicial pronouncements have provided important guidance on the interpretation of these provisions, reaffirming that substantive tax benefits cannot be denied merely on account of procedural lapses or restrictions lacking statutory support.

Exports are treated as zero-rated supplies under the GST framework and are intended to remain free from domestic tax burdens. Exporters may either pay Integrated GST (IGST) on exports and subsequently claim a refund of the tax paid or export under a Letter of Undertaking (LUT) without payment of tax while claiming refund of accumulated ITC.

In recent decisions, particularly by the Karnataka High Court, courts have held that delayed filing of LUTs or procedural defects relating to their submission cannot be used as grounds to deny legitimate refund claims. The courts emphasized that the zero-rated status of exports is derived from the provisions of the IGST Act and does not depend solely on procedural compliance.

Accordingly, where exports are genuine and all substantive conditions are fulfilled, refund benefits cannot be denied merely because the LUT was furnished belatedly. These rulings reinforce the settled legal principle that procedural requirements are intended to facilitate implementation of the law and should not defeat substantive rights granted under the statute. The decisions provide significant relief to exporters who may have committed technical lapses without any intention to evade tax.

Another important development concerns the refund formula prescribed under Rule 89 of the CGST Rules. An amendment introduced a restriction whereby the value of zero-rated supplies for refund purposes was capped at one and a half times the value of like goods supplied in the domestic market.

The Karnataka High Court examined the validity of this restriction and held that it exceeded the authority granted under the parent statute. The Court observed that Section 54 does not empower the Government to impose such a limitation and that delegated legislation cannot curtail a substantive benefit conferred by Parliament.

Consequently, the restriction was declared invalid. The ruling is significant for exporters whose refund entitlement had been reduced because of the artificial cap imposed through the Rules. The judgment reiterates the principle that subordinate legislation must remain within the framework of the statute and cannot diminish rights expressly granted by law.

Section 54(3) also provides for refund of accumulated ITC where the rate of tax on inputs exceeds the rate applicable to outward supplies, resulting in an inverted duty structure. A major controversy arose regarding whether such refunds should include ITC attributable to input services.

The issue was settled by the Supreme Court in Union of India v. VKC Footsteps India Pvt. Ltd., where the Court upheld the validity of Rule 89(5). The Court ruled that refunds under the inverted duty structure mechanism are restricted to ITC accumulated on input goods and do not extend to credit attributable to input services. While acknowledging certain anomalies in the formula, the Court held that any policy correction must come from the legislature or the GST Council.

These judicial developments reflect a balanced approach to GST refunds. While taxpayers are expected to comply with procedural requirements, genuine refund claims cannot be denied through technical objections or restrictions that lack statutory backing. Collectively, these rulings strengthen the objective of ensuring tax neutrality for exporters and businesses entitled to refunds of accumulated ITC.

Uttarakhand High Court Grants Fresh Opportunity for GST Registration Revocation

High Court Of Uttarakhand
W.P. No. 397 OF 2026
25th May 2026

In a significant judgment delivered on 25 May 2026, the Uttarakhand High Court extended relief to a taxpayer whose GST registration had been cancelled for non-filing of returns, reaffirming the principle that genuine taxpayers willing to regularize compliance should be provided a fair opportunity to do so. The ruling underscores the importance of procedural fairness in GST administration and highlights that authorities must remain consistent in the grounds relied upon while deciding revocation applications.

The dispute arose after the petitioner's GST registration was cancelled on 30 June 2025 under the GST Act on account of failure to furnish statutory returns for a continuous period of six months. Seeking restoration of the registration, the petitioner filed an application for revocation before the competent authority. However, while considering the application, the Proper Officer did not confine the examination to the original ground that had led to cancellation. Instead, the revocation application was rejected on a completely different basis, namely an alleged discrepancy between the details reported in GSTR-3B returns and the corresponding figures reflected in GSTR-2A. The petitioner challenged this action, contending that the authority had exceeded the scope of the cancellation proceedings by introducing a fresh ground that was never part of the original cancellation order or notice.

Aggrieved by the rejection, the petitioner pursued the statutory appellate remedy. The appeal, however, was dismissed on the ground of limitation without any adjudication on the merits of the dispute. Consequently, the petitioner approached the Uttarakhand High Court challenging the original cancellation order, the rejection of the revocation application, and the appellate order.

During the course of the proceedings, the petitioner adopted a pragmatic stance and confined the relief sought before the Court. Rather than pressing for an outright restoration of the registration, the petitioner requested an opportunity to submit a fresh revocation application and undertake complete compliance by filing all pending returns and discharging the outstanding tax liabilities along with applicable interest and penalties.

The Revenue strongly opposed the petition, contending that the matter had already attained finality upon dismissal of the appeal by the appellate authority. It argued that the issues raised had been conclusively adjudicated and that any attempt to reopen or revisit the dispute would amount to an impermissible reconsideration of matters already settled through the statutory appellate process.

The High Court, however, was not persuaded by this argument. It observed that the appellate authority had dismissed the appeal solely on the ground of delay and had not examined the substantive issues involved. The Court further noted a significant procedural inconsistency: while the registration had been cancelled for non-filing of returns, the revocation application was rejected on a completely different basis relating to discrepancies between GSTR-3B and GSTR-2A. Such a shift in grounds, the Court indicated, raised concerns regarding fairness and consistency in administrative decision-making.

Taking into account the petitioner's readiness to regularize compliance and clear all statutory dues, the Court adopted a balanced approach. It directed that if the petitioner files all pending GST returns, deposits the entire tax liability along with applicable interest and penalty within two weeks, and thereafter submits a fresh representation seeking revocation, the Proper Officer shall consider and decide the application within four weeks.

> This judgment serves as an important precedent for taxpayers facing cancellation of GST registration due to compliance lapses. It reinforces the principle that GST authorities should act fairly and consistently while exercising statutory powers and that bona fide taxpayers willing to rectify defaults deserve an opportunity to restore compliance.
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> **Editor**

FROM ASMT-10 TO ADJUDICATION: A PRACTICAL SURVIVAL GUIDE FOR GST TAXPAYERS

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Under the GST framework, scrutiny proceedings often serve as the first step in identifying potential tax disputes. While many taxpayers tend to regard a scrutiny notice in Form GST ASMT-10 as a routine compliance communication, its significance should not be underestimated. In many cases, the scrutiny process can ultimately culminate in adjudication proceedings under Sections 73 or 74 of the CGST Act, resulting in tax demands, interest, and penalties. Understanding the stages involved and responding appropriately at each level is therefore essential for effective tax risk management.

The process generally begins with scrutiny of returns under Section 61 of the CGST Act. During this exercise, tax authorities examine GST returns and related data to identify discrepancies or inconsistencies. Common issues triggering ASMT-10 notices include mismatches between GSTR-1 and GSTR-3B, variances between Input Tax Credit (ITC) claimed and the details reflected in GSTR-2B, incorrect classification of supplies, differences between books of accounts and GST returns, and reporting inconsistencies across various statutory filings.

Upon receipt of an ASMT-10 notice, taxpayers are required to furnish their explanation through Form GST ASMT-11. This stage presents a valuable opportunity to address concerns before the matter escalates further. A comprehensive response supported by documentary evidence such as reconciliations, invoices, accounting records, tax computations, and legal submissions can often satisfy the authorities and result in closure of the proceedings through Form GST ASMT-12. In practice, a well-prepared response at this stage can significantly reduce the likelihood of future litigation.

Where the department remains unconvinced or identifies unresolved issues, a pre-show cause intimation in Form GST DRC-01A may be issued. This communication provides taxpayers with an additional opportunity to voluntarily pay the tax, explain their position, or seek resolution before formal adjudication proceedings commence. Taxpayers should treat this stage strategically, as constructive engagement and proper clarification may help narrow the scope of disputes and avoid prolonged litigation.

The formal adjudication phase begins with the issuance of a Show Cause Notice (SCN) under either Section 73 or Section 74 of the CGST Act. The distinction between these provisions is particularly important. Section 73 applies to cases involving tax short payment or wrongful ITC availment without allegations of fraud, wilful misstatement, or suppression of facts. In contrast, Section 74 deals with cases where the department alleges fraudulent intent, wilful misstatement, or suppression, attracting substantially higher penalties and longer limitation periods.

At the SCN stage, taxpayers should carefully examine every aspect of the notice, including the factual allegations, legal provisions invoked, limitation requirements, computation methodology, and supporting evidence relied upon by the department. Any procedural lapses, jurisdictional defects, or unsupported allegations should be specifically highlighted.

The reply to the SCN, filed through Form GST DRC-06, should contain detailed factual explanations, issue-wise rebuttals, reconciliations, documentary evidence, and relevant judicial precedents. Taxpayers should also expressly request a personal hearing under Section 75(4) to ensure that their submissions are properly considered before any adverse order is passed. Particular attention should be given to challenging allegations of suppression or fraud where transactions have been duly recorded, disclosed, and reflected in statutory returns.

The key lesson for taxpayers is that GST law provides multiple opportunities to explain discrepancies, rectify errors, and defend legitimate claims. Timely action, meticulous documentation, robust reconciliations, and procedural vigilance at every stage—from ASMT-10 and DRC-01A to SCN proceedings and final adjudication—can substantially strengthen a taxpayer's position, mitigate exposure to penalties, and prevent avoidable disputes from escalating into costly litigation.

Karnataka High Court Reinforces Natural Justice in Ex-Parte Assessment Cases

The Gauhati High Court
WP(C)/2960/2026
05.06.2026

In a significant ruling reinforcing the principles of natural justice in GST proceedings, the Karnataka High Court has held that taxpayers must be granted a fair and meaningful opportunity to respond before adverse assessment orders are passed. In M/s Leadingly Trading LLP v. Deputy Commissioner of Commercial Taxes (WP No. 14238 of 2026), the Court quashed an ex-parte GST assessment order and remanded the matter for fresh adjudication, emphasizing that procedural fairness is an indispensable component of tax administration.

The dispute arose from an assessment order dated 2 December 2025 relating to the financial year 2021–22. The petitioner, M/s Leadingly Trading LLP, approached the High Court challenging the validity of the order on the ground that it had been denied a reasonable opportunity to participate in the assessment proceedings.

According to the petitioner, the tax authorities had issued a show cause notice under Section 73(5) of the Karnataka Goods and Services Tax Act, 2017. However, the petitioner contended that it was unable to effectively respond to the notice due to circumstances beyond its control. It was specifically argued that only a single notice had been received and that the time granted for furnishing a reply was wholly inadequate, amounting to merely one day. As a result, the petitioner could not place the necessary facts and supporting documents before the assessing authority.

The Revenue opposed the petition and defended the assessment order. It argued that sufficient opportunities had been afforded to the taxpayer and that the proceedings had been conducted in accordance with law. The authorities maintained that the assessment order was validly passed and did not warrant interference by the Court.

After examining the material on record, the High Court noted that the impugned assessment order had admittedly been passed ex-parte. The Court further observed that the records indicated that the petitioner had not been granted adequate time to respond to the show cause notice. The limited opportunity available to the taxpayer raised concerns regarding compliance with the fundamental principles of natural justice.

Justice S. Vishwajith Shetty observed that taxation proceedings, though statutory in nature, must nevertheless conform to the requirements of fairness and due process. An assessee facing adverse consequences should be provided a meaningful opportunity to present its explanation, produce documents, and defend its position before an assessment is finalized. Such an opportunity must be real and effective rather than merely formal or illusory.

Recognizing that the petitioner had not been afforded sufficient time to participate in the proceedings, the Court held that the assessment order could not be sustained. Consequently, the impugned order was quashed, and the matter was remitted to the competent authority for fresh consideration from the stage of the show cause notice.

While granting relief, the Court also ensured that the proceedings would move forward expeditiously. It directed the petitioner to appear before the concerned authority on 25 May 2026 and cooperate in the adjudication process. Importantly, the Court clarified that if the petitioner failed to appear on the specified date, the relief granted by the Court would automatically stand recalled.

The ruling serves as an important reminder that GST authorities must adhere to the principles of natural justice and provide taxpayers with adequate time and opportunity to respond before passing assessment orders. It also underscores the judiciary's continued commitment to ensuring procedural fairness in tax administration.

Tax authorities must ensure reasonable and effective opportunities for taxpayers to respond before finalizing assessments. Ex-parte orders passed without adequate hearing remain vulnerable to judicial scrutiny and challenge.

Editor

GST Amendments 2017–2026: The Evolving Balance Between Enforcement and Natural Justice

Tejasvini
JCCT

Since its introduction on 1 July 2017, the Goods and Services Tax (GST) has witnessed a series of legislative, procedural, and technological reforms that have significantly reshaped India's indirect tax landscape. What began as a transformative tax reform aimed at creating a unified national market has gradually evolved into a sophisticated compliance and enforcement framework driven by digital technology and data analytics. While these amendments have strengthened revenue protection and administrative efficiency, they have also highlighted the need to preserve taxpayer rights and uphold the principles of natural justice.

The initial phase of GST implementation was marked by considerable challenges. During 2017 and 2018, taxpayers grappled with frequent changes in compliance requirements, transitional credit disputes, return filing difficulties, and technical glitches on the GST portal. These issues resulted in widespread litigation across various High Courts. Recognising the practical hardships faced by businesses, courts often adopted a taxpayer-friendly approach by permitting manual filings, restoring transitional credits, and condoning delays caused by technological limitations. Judicial intervention during this period played an important role in ensuring that procedural difficulties did not deprive taxpayers of substantive benefits.

The years 2018 and 2019 witnessed a shift towards stronger compliance and anti-evasion measures. The implementation of the e-way bill system, operationalisation of TDS and TCS provisions, and amendments through the GST (Amendment) Act, 2018 significantly strengthened the compliance architecture. A particularly important development was the introduction of Rule 36(4), which linked Input Tax Credit (ITC) entitlement to supplier-reported transactions. This marked a departure from the self-assessment model and increased the responsibility of recipients to monitor supplier compliance. While aimed at curbing fraudulent credit claims, the measure also created concerns for genuine taxpayers who had limited control over supplier defaults.

During the COVID-19 period, the Government provided relief through extensions of filing deadlines and waiver of certain compliance requirements. Simultaneously, however, GST administration continued to strengthen enforcement through Aadhaar authentication, Rule 86A powers to block ITC, enhanced registration scrutiny, and the introduction of GSTR-2B as a mechanism for ITC reconciliation. Courts consistently observed that while revenue protection measures were necessary, they must be exercised reasonably, proportionately, and in compliance with due process requirements.

From 2021 onwards, GST administration entered a data-driven era. The rollout of e-invoicing, automated risk assessment tools, and advanced analytics enabled authorities to identify mismatches and potential tax evasion with greater accuracy. Investigations increasingly relied on system-generated alerts, risk flags, and supplier verification reports. However, judicial forums repeatedly emphasised that technology cannot replace statutory safeguards. Proper show cause notices, independent application of mind, meaningful opportunities of hearing, and reasoned orders remained essential prerequisites before any adverse action could be taken.

The recent phase from 2023 to 2026 reflects a continued focus on tighter ITC controls, stricter compliance requirements, and streamlined adjudication mechanisms, including the move towards a unified framework under Section 74A. At the same time, courts have reinforced that bona fide taxpayers should not be penalised solely for supplier defaults and that speaking orders are indispensable for protecting appellate rights.

The GST journey demonstrates that while enforcement mechanisms have become increasingly sophisticated, the principles of natural justice continue to remain fundamental. As compliance obligations grow, maintaining a balance between effective revenue administration and taxpayer protections will be crucial for ensuring confidence, fairness, and long-term stability in the GST regime.

Karnataka High Court Upholds Consolidated GST Show Cause Notices Across Multiple Financial Years

High Court Of Karnataka
Writ Appeal No.1751of 2024
23rd April 2026

In a significant ruling under the Goods and Services Tax (GST) regime, the Karnataka High Court has held that GST authorities are legally empowered to issue a single consolidated Show Cause Notice (SCN) under Sections 73 and 74 of the Central Goods and Services Tax (CGST) Act covering multiple financial years or tax periods. The decision was rendered by a Division Bench in a batch of writ appeals led by W.A. No. 1751 of 2024 and is expected to have a considerable impact on GST investigations and adjudication proceedings.

The dispute arose from common SCNs issued by the tax department covering more than one financial year. The assessees challenged these notices, contending that the GST framework is fundamentally based on financial-year-specific compliance. They argued that returns, annual reconciliations, assessments, and limitation provisions are all linked to individual financial years. According to them, proceedings initiated through a consolidated notice spanning multiple years were inconsistent with the statutory scheme and could create complications relating to limitation, jurisdiction, adjudication, and appellate remedies.

The learned Single Judge had accepted these arguments and quashed the notices, holding that proceedings under Sections 73 and 74 should be confined to a particular financial year. Aggrieved by this view, the tax authorities preferred writ appeals before the Division Bench.

After examining the statutory provisions, the Division Bench reversed the Single Judge's decision and upheld the validity of consolidated notices. The Court observed that Sections 73 and 74 repeatedly employ the expressions "any period" and "such periods," indicating a legislative intent not to restrict proceedings to a single financial year. The Bench held that if Parliament intended such a limitation, it would have expressly provided for it in the statute. Reading a financial-year restriction into the provisions, the Court observed, would amount to rewriting the law, which is impermissible in matters of fiscal legislation.

The Court further noted that the GST law does not contain any express prohibition against the issuance of a common notice for multiple tax periods. In the absence of such a restriction, the authorities cannot be prevented from consolidating proceedings where the facts and issues are interconnected. The Bench emphasized that such an approach promotes administrative efficiency, avoids duplication of proceedings, and facilitates comprehensive adjudication of disputes arising from a single investigation, audit, or inspection.

Importantly, the Court clarified that issuance of a consolidated SCN does not dilute the statutory safeguards available to taxpayers. Each financial year or tax period covered by the notice must independently satisfy the limitation requirements prescribed under the CGST Act. Consequently, if any demand relating to a particular period is found to be time-barred, the taxpayer retains the right to challenge that portion of the proceedings. Thus, while the notice may be consolidated, the validity of each demand must still be examined separately.

The Karnataka High Court also agreed with the views adopted by the Delhi, Allahabad, and Jammu & Kashmir High Courts on the issue. At the same time, it expressly declined to follow contrary decisions of the Bombay, Kerala, Madras, Andhra Pradesh, and Himachal Pradesh High Courts.

Ultimately, the writ appeals were allowed, the orders of the Single Judge were set aside, and the quashed notices were restored. Taxpayers were granted an opportunity to submit their replies and pursue statutory remedies. The ruling provides significant support to GST authorities in conducting consolidated proceedings while preserving taxpayers' rights to challenge demands on limitation, jurisdiction, and merits, making it an important precedent in GST jurisprudence.

Section 16 of GST: Buyer's ITC Rights, Practical Limits & Ground Reality

Mohamad Rafi Pasha
DCCT

Input Tax Credit (ITC) is the cornerstone of the Goods and Services Tax (GST) regime, ensuring that tax is levied only on the value added at each stage of the supply chain. By permitting businesses to offset taxes paid on inward supplies against their output tax liability, the ITC mechanism prevents cascading taxation and promotes tax neutrality. The statutory framework governing this critical benefit is contained in Section 16 of the Central Goods and Services Tax (CGST) Act, 2017. While the provision grants registered taxpayers the right to claim credit, recent judicial developments have reinforced that ITC is a conditional concession rather than an absolute entitlement.

Section 16(1) lays down the basic principle that every registered person is entitled to claim credit of tax charged on goods or services used or intended to be used in the course or furtherance of business. However, this right is subject to the fulfilment of various conditions prescribed under Section 16(2). To avail ITC, the taxpayer must possess a valid tax invoice or prescribed document, receive the goods or services, furnish the requisite returns, and satisfy other statutory requirements. Failure to comply with any of these conditions may result in denial or reversal of the credit claimed.

Over the years, GST compliance has evolved from a documentation-based system to a technology-driven verification framework. One of the most significant developments has been the introduction of GSTR-2B as the primary basis for ITC reconciliation. Tax authorities increasingly expect taxpayers to ensure that credits claimed in returns are supported by invoices reflected in the auto-generated statement. Consequently, businesses can no longer rely solely on physical invoices and accounting records. Any mismatch, non-reflection, or restriction appearing on the GST portal may trigger scrutiny and potential disputes. As a result, periodic reconciliation of purchase records with GSTR-2B and continuous monitoring of vendor compliance have become indispensable compliance practices.

Among all the conditions governing ITC, Section 16(2)(c) remains the most controversial. The provision mandates that the tax charged in respect of a supply must actually be paid to the Government by the supplier before the recipient can enjoy the credit. This requirement has generated substantial litigation because genuine purchasers often face denial of ITC despite having paid the supplier in full and possessing valid documentation. The controversy lies in the fact that a recipient may have little practical control over the supplier's tax compliance after the transaction is completed.

Various High Courts have expressed concern over the fairness of penalising bona fide taxpayers for supplier defaults. While certain decisions have granted relief where purchasers demonstrated due diligence and genuine transactions, other rulings have upheld the strict statutory requirement, leading to divergent judicial interpretations. The issue has now reached the Supreme Court, where the constitutional validity and practical implications of supplier-default-related ITC denial are under consideration.

Another critical limitation arises from Section 16(4), which prescribes a strict timeline for availing eligible ITC. Credits not claimed within the statutory deadline may be permanently lost, irrespective of their substantive eligibility. Courts have generally interpreted these timelines strictly, highlighting the importance of timely reviews and corrective actions before the prescribed cut-off dates.

In the current compliance environment, businesses must adopt a proactive approach to safeguard their ITC entitlement. Robust vendor due diligence, maintenance of complete documentation, regular GSTR-2B reconciliation, monitoring of the 180-day payment condition, and periodic review of unclaimed credits are essential risk-management measures.

As litigation surrounding Section 16 continues to evolve, particularly on the issue of supplier defaults, taxpayers should not rely solely on future judicial relief. Until greater clarity emerges from the Supreme Court, disciplined compliance, strong internal controls, and effective vendor management remain the most reliable safeguards for protecting valuable ITC claims under the GST framework.

Karnataka High Court Restores GST Registration and Sets Aside Ex-Parte Assessment Order

High Court Of Karnataka
W.P. No.9974 of 2026
29th April 2026

In a significant relief to taxpayers affected by procedural lapses and ex-parte GST proceedings, the Karnataka High Court, in Anish J. Dass, Proprietor of M/s Idea Traders v. Assistant Commissioner of Commercial Taxes (WP No. 9974 of 2026, decided on 29 April 2026), set aside an assessment order passed under Section 73(9) of the Central Goods and Services Tax Act, 2017 and the Karnataka Goods and Services Tax Act, 2017. The Court also directed the restoration of the petitioner's GST registration, emphasizing that taxpayers should not suffer irreversible consequences without being afforded a meaningful opportunity of hearing.

The dispute arose when GST authorities initiated proceedings against the petitioner concerning certain discrepancies noticed in relation to export transactions. A notice in Form ASMT-10 had been issued seeking clarification and supporting documents, particularly regarding the reconciliation of export invoices with corresponding Foreign Inward Remittance Certificates (FIRCs) and Bank Realisation Certificates (BRCs). Since no response was received from the taxpayer, the authorities proceeded to pass an assessment order under Section 73(9), creating tax demands and leading to consequential cancellation of the petitioner's GST registration.

Challenging the assessment order before the High Court, the petitioner explained that the notices and communications issued by the department had been sent to an email account that had become inaccessible. According to the petitioner, the email account was linked to a paid subscription service that had not been renewed, resulting in the inability to access departmental communications. Consequently, the petitioner remained unaware of the proceedings and could not furnish the required explanations or documents within the prescribed time.

The petitioner further submitted that the export transactions were genuine and that all relevant supporting records, including FIRCs, BRCs, and other documentary evidence, were available. It was argued that had an opportunity been provided, the taxpayer would have been able to satisfactorily explain the discrepancies pointed out by the department. Therefore, the petitioner requested that the matter be remanded for fresh consideration so that a comprehensive reply could be submitted and adjudicated on merits.

After examining the facts and submissions, the High Court found merit in the petitioner's request. The Court took note of the explanation regarding the non-receipt of departmental communications and observed that the petitioner possessed documents that could potentially address the issues raised in the show-cause proceedings. Considering these circumstances, the Court held that the interests of justice would be served by granting the taxpayer an opportunity to present the relevant materials before the assessing authority.

Accordingly, the Court set aside the impugned assessment order and restored the proceedings to the stage of filing a reply to the show-cause notice. The petitioner was granted liberty to submit all supporting documents and explanations, while the tax authorities were directed to reconsider the matter afresh in accordance with law. All rival contentions were left open for adjudication.

Importantly, since the cancellation of the petitioner's GST registration had resulted directly from the impugned assessment order, the Court also directed immediate restoration of the registration. The ruling reiterates a fundamental principle of tax administration — that substantive justice must prevail over technical or procedural lapses. It underscores that adverse tax consequences, particularly those affecting a taxpayer's ability to conduct business, should not be imposed without ensuring a fair and effective opportunity to be heard. The decision serves as an important reminder that principles of natural justice remain central to GST adjudication proceedings.

The Evolving Role of a GST Professional

Smt. Prathibha Priyadharshini
Addl. CCT

The introduction of the Goods and Services Tax (GST) marked a revolutionary shift in India's indirect tax landscape, replacing multiple taxes with a unified system aimed at improving transparency and efficiency. Over the years, GST has evolved into a highly technology-driven and compliance-oriented framework, requiring businesses to continuously monitor transactions, maintain accurate records, and adapt to frequent regulatory changes. In this dynamic environment, the role of a GST professional has expanded significantly. Today, GST professionals are not merely return filers; they are advisors, compliance managers, tax strategists, and trusted partners who play a crucial role in ensuring business continuity and regulatory compliance.

At the core of a GST professional's responsibilities lies the management of statutory compliance. Filing returns such as GSTR-1, GSTR-3B, annual returns, and reconciliation statements remains a fundamental task. However, compliance under GST extends far beyond data entry and return submission. Professionals are required to review financial records, verify tax positions, identify discrepancies, and ensure consistency across returns and books of accounts. Given the automated matching systems and data analytics used by tax authorities, even minor errors can result in notices, penalties, interest liabilities, or restrictions on Input Tax Credit (ITC). Therefore, accuracy, vigilance, and attention to detail are indispensable qualities for every GST practitioner.

One of the most critical functions performed by GST professionals is the management of Input Tax Credit. Regular reconciliation of purchase records with GSTR-2A and GSTR-2B has become an essential compliance activity. This process involves identifying mismatches, coordinating with suppliers for corrections, and ensuring that ITC claims comply with statutory conditions. Effective ITC management not only safeguards tax credits but also improves a business's cash flow and financial efficiency.

Beyond compliance, GST professionals provide valuable advisory services. Businesses frequently seek guidance on the GST implications of new products, services, contracts, business restructurings, and expansion plans. Professionals interpret provisions of the CGST Act, GST Rules, notifications, circulars, and judicial precedents, translating complex legal provisions into practical business solutions. Their expertise helps organizations make informed decisions while minimizing tax risks and avoiding future litigation.

Refund management is another important area where GST professionals add substantial value. Exporters and businesses operating under inverted duty structures often accumulate unutilized ITC that can significantly affect working capital. Professionals assist in preparing refund applications, maintaining supporting documentation, responding to departmental queries, and ensuring compliance with procedural requirements. Timely refunds contribute directly to improved liquidity and financial stability.

The role becomes even more significant when businesses face audits, scrutiny proceedings, investigations, or adjudication. GST professionals evaluate records, identify potential exposures, prepare comprehensive responses to notices, and represent taxpayers before authorities. Their analytical abilities, legal understanding, and communication skills are critical in resolving disputes and protecting taxpayer interests.

Technology has further transformed the profession. Modern GST practice demands proficiency in accounting software, ERP systems, GST compliance platforms, and data analytics tools. As tax administration increasingly adopts automation, artificial intelligence, and real-time data monitoring, continuous learning has become essential for professionals seeking to remain relevant and effective.

In conclusion, the modern GST professional is far more than a compliance facilitator. By combining legal expertise, accounting knowledge, analytical skills, and technological proficiency, they help businesses navigate complex regulations, optimize tax positions, manage risks, and achieve sustainable growth. Their evolving role makes them an indispensable pillar of India's contemporary business and taxation ecosystem.

Karnataka High Court Grants Fresh Opportunity in GST Adjudication, Sets Aside Ex Parte Orders

High Court Of Karnataka
W.P. No.13047 of 2026
29th April 2026

In a significant ruling reinforcing the principles of natural justice in GST proceedings, the Karnataka High Court has reiterated that taxpayers must be afforded a meaningful opportunity of hearing before tax demands are confirmed. In the case of Tech Desire Infra Private Limited v. Commissioner of Commercial Taxes & Others, the Court set aside multiple ex parte adjudication orders passed under Section 73 of the Central Goods and Services Tax Act, 2017 and the Karnataka Goods and Services Tax Act, 2017, and remanded the matter to the adjudicating authority for fresh consideration.

The dispute arose from three adjudication orders issued against the petitioner-company in relation to the financial year 2019–20. According to the petitioner, the impugned orders were passed without its participation and resulted in substantial tax demands based on alleged mismatches in Input Tax Credit (ITC). The company challenged the validity of the orders before the High Court, contending that the proceedings suffered from serious procedural irregularities and denial of an effective opportunity to defend its case.

A key grievance raised by the petitioner was that two separate adjudication orders had been issued for the same tax period on an identical issue concerning ITC mismatch. The petitioner argued that this resulted in duplication of proceedings and a corresponding duplication of tax demands for the same set of transactions. It was submitted that such duplication required detailed factual examination and could not be sustained without proper scrutiny by the adjudicating authority.

The petitioner further explained that it had been unable to respond to the show cause notices issued by the department because its GST registration had been cancelled in 2023. Owing to the cancellation, the company claimed that it could not effectively access the GST portal or participate in the proceedings. It therefore requested the Court to set aside the ex parte orders and grant an opportunity to place all relevant materials and explanations before the authorities.

The Revenue opposed the writ petition, arguing that the show cause notices had been duly served upon the taxpayer and that sufficient opportunities had been provided during the adjudication process. According to the department, the petitioner's failure to respond or participate in the proceedings justified the passing of the impugned orders, and no interference was warranted.

After considering the submissions of both sides, the High Court observed that the petitioner had raised certain factual issues that required examination, particularly the allegation that two separate orders had been passed for the same tax period on the same issue. The Court noted that all the impugned orders had been passed ex parte and that the petitioner had not been heard before the demands were confirmed. Given these circumstances, the Court held that the interests of justice would be better served by providing the taxpayer with an opportunity to present its case before the adjudicating authority.

Accordingly, the High Court set aside all the impugned adjudication orders and remitted the matter to the jurisdictional authority for reconsideration from the stage of filing replies to the show cause notices. As a condition for granting such relief, the Court directed the petitioner to deposit 10% of the tax demand covered under the disputed orders. The Court also clarified that all contentions on merits, including the issue of alleged duplication of demands, would remain open for consideration during the fresh adjudication process.

The ruling once again underscores the judiciary's consistent view that tax disputes involving substantive rights and liabilities should ordinarily be decided only after taxpayers are provided a fair, effective, and meaningful opportunity of hearing and adherence to principles of natural justice.

Editor

Strengthening GST Registration Verification: Tackling Bogus Registrations Through Enhanced Scrutiny

Susheela I.C.
JCCT

The GST registration process is the foundation of tax compliance and revenue administration under the Goods and Services Tax regime. Ensuring that registrations are granted only to genuine business entities is critical to preventing tax evasion, fraudulent availment of Input Tax Credit (ITC), and the creation of fake business networks. Recognizing the growing threat of bogus registrations, tax authorities have strengthened verification procedures and introduced enhanced scrutiny measures for registration applications.

The statutory framework governing GST registration is contained in Sections 22 to 30 of the CGST/KGST Act, 2017 and Rules 8 to 22 of the CGST/KGST Rules, 2017. Further, CBIC Instruction No. 03/2023-GST and Instruction No. 03/2025-GST provide detailed guidelines for processing registration applications and identifying high-risk cases.

Applicants seeking GST registration are required to furnish documents such as PAN, Aadhaar, mobile number, proof of principal place of business, constitution of business documents, and photographs. While these requirements are intended to establish the authenticity of the applicant, fraudsters have increasingly exploited loopholes by submitting forged or fabricated documents. Cases have been identified where fake Aadhaar cards, manipulated PAN details, AI-generated photographs, and fabricated rental agreements were used to obtain registrations. In several instances, identities of economically weaker individuals were misused without their knowledge.

Verification of documents relating to the principal place of business has emerged as a major challenge. Although registered rental agreements are generally considered reliable, most applications are supported by unregistered rental agreements, consent letters, or self-printed e-stamp papers, which are more susceptible to forgery. Fake electricity bills, fabricated property tax receipts, and manipulated ownership documents have also been detected in numerous cases.

The presentation highlights several indicators that may signal a high-risk application. These include suspicious trade names, businesses dealing in commodities commonly associated with tax evasion, inconsistencies between applicant details and uploaded documents, and mismatches between Aadhaar records and photographs submitted in the application. Authorities have also detected cases where the same individual used different PAN numbers, generated multiple applications simultaneously, or altered the constitution of business to bypass verification mechanisms after earlier registrations were cancelled.

Particular care is required while examining rental agreements, e-stamp papers, consent letters, and owner identity proofs. Fraudsters have been found to reuse genuine rent agreements, forge notary seals, submit AI-generated identity documents, and manipulate ownership records. Therefore, officers are encouraged to cross-verify documents through official portals such as UIDAI, the Income Tax portal, electricity supply company websites, municipal property tax databases, and e-stamp verification systems.

The magnitude of the issue is reflected in the large number of non-genuine taxpayer cases identified across Karnataka. The detection of hundreds of such registrations demonstrates the evolving nature of GST fraud and the need for continuous vigilance during the registration process.

Going forward, officers must pay special attention to applications involving previously cancelled registrations, rejected registration requests, or suspicious supporting documents. Accurate recording of rejection reasons, effective use of technology, and rigorous document verification can significantly reduce the risk of fraudulent registrations. Strengthening registration controls is essential not only for safeguarding government revenue but also for maintaining the integrity and credibility of the GST system.

Gujarat High Court Allows Transfer of CGST ITC Across States Pursuant to Amalgamation

High Court of Gujarat
SCA No.7006 of 2024
Dated: 05.03.2026

In a significant ruling for businesses undertaking mergers, amalgamations, and corporate restructuring, the Gujarat High Court has reaffirmed that substantive tax benefits available under the GST law cannot be denied due to procedural or technological limitations in the GST portal. In Emerson Process Management (India) Pvt. Ltd. v. Union of India & Others (SCA No. 7006 of 2024, decided on 05 March 2026), the Court held that unutilized Input Tax Credit (ITC) can be transferred pursuant to an approved scheme of amalgamation even when the transferor and transferee entities are registered in different States.

The petitioner, Emerson Process Management (India) Pvt. Ltd., had amalgamated another company pursuant to a scheme of amalgamation sanctioned by the National Company Law Tribunal (NCLT). Following the merger, the petitioner sought transfer of the accumulated CGST credit lying in the electronic credit ledger of the amalgamating company. The transfer was sought through Form GST ITC-02, which is prescribed under Rule 41 of the CGST Rules for transferring unutilized ITC in cases involving sale, merger, demerger, amalgamation, lease, or transfer of business.

However, the GST portal rejected the application with the remark that the "Transferee and Transferor should be of the same State/U.T." As a result, despite the lawful amalgamation and the existence of eligible credit, the petitioner was unable to transfer the accumulated ITC. Aggrieved by the portal-generated restriction, the petitioner approached the High Court challenging the denial.

Before the Court, the petitioner argued that neither Section 18(3) of the CGST Act nor Rule 41 of the CGST Rules prescribes any requirement that the transferor and transferee entities must be registered in the same State or Union Territory. It was contended that the restriction was merely a system-generated limitation embedded in the GST portal and had no support in the statutory framework. The petitioner further submitted that a substantive tax benefit granted by Parliament cannot be curtailed by technical deficiencies in an online platform.

The Revenue, on the other hand, strongly contended that the GST statutory framework does not contemplate the transfer of Input Tax Credit (ITC) between entities registered in different States through Form GST ITC-02. The authorities argued that such transfers are legally impermissible and further emphasized the technological limitations of the GST portal. According to the department, the existing portal architecture is designed in a manner that does not facilitate or permit the transfer of unutilized ITC where the transferor and transferee entities hold registrations in separate States, thereby rendering such transactions operationally unworkable. Rejecting the Revenue's stand, the Gujarat High Court relied heavily on the earlier decision of the Bombay High Court in UmicoreAutocat India (P) Ltd., which had dealt with a similar issue. The Court observed that statutory rights and benefits cannot be defeated merely because the GST portal lacks the functionality to accommodate a particular transaction. Administrative or technological shortcomings, the Court held, cannot override the provisions of the CGST Act and Rules.

The Court concluded that the restriction incorporated in Form GST ITC-02 requiring both entities to be located in the same State had no statutory basis and was therefore unsustainable. Accordingly, it directed the GST authorities to permit manual filing and processing of Form GST ITC-02 and to allow transfer of the eligible CGST credit within six weeks.

This ruling provides significant relief to taxpayers involved in mergers and amalgamations, reinforcing the principle that legitimate tax entitlements arising from approved corporate reorganizations cannot be denied due to procedural hurdles or limitations of the GST portal.

Editor

Karnataka & Tripura High Courts Strengthen Protection for Bona Fide Taxpayers: Major Relief on Input Tax Credit

S. Prasad
Auditor

In a major relief for GST taxpayers, the Karnataka High Court and the Tripura High Court have delivered significant judgments holding that a bona fide purchaser cannot be denied Input Tax Credit (ITC) merely because the supplier has failed to deposit GST with the Government. These decisions strengthen the rights of genuine taxpayers and provide important safeguards against arbitrary denial of ITC arising from supplier defaults or GSTR-2A/2B mismatches.

The Karnataka High Court, in M/s Instakart Services Pvt. Ltd. v. Union of India & Others (9 February 2026), and the Tripura High Court, in M/s Sahil Enterprises v. Union of India & Others (6 January 2026), addressed situations where recipients had complied with all statutory requirements for availing ITC, yet were denied credit due to the failure of suppliers to pay tax or correctly report transactions.

In the Instakart case, the taxpayer possessed valid tax invoices, had actually received the services, paid the consideration including GST through banking channels, and used the services in the course of business. Despite fulfilling these conditions, the department denied ITC on the ground that certain suppliers had not deposited GST with the Government. Similar facts were involved in the Sahil Enterprises case, where ITC was denied solely because of supplier non-compliance.

The Courts held that Section 16(2)(c) of the CGST Act and Rule 36(4) of the CGST Rules cannot be applied mechanically to penalize a genuine recipient for the independent default of a supplier. They emphasized that ITC is a fundamental feature of the GST system intended to avoid cascading taxation and ensure seamless credit flow. Denial of credit to an honest taxpayer who has acted in good faith would defeat the very purpose of GST.

Importantly, the Courts observed that the tax department has adequate powers to recover tax, impose penalties, and initiate proceedings against defaulting suppliers. Therefore, the burden of supplier default should not automatically be shifted to the recipient who has no control over the supplier's subsequent compliance.

These rulings provide valuable support to taxpayers facing notices or assessments based solely on supplier default or GSTR-2A/2B mismatches. However, the protection is available only to bona fide taxpayers. Cases involving fake invoices, sham transactions, collusion, or fraudulent ITC claims will not receive similar relief.

The judgments reaffirm that where a taxpayer possesses valid invoices, receives the goods or services, pays the supplier including GST, and uses the supplies for business purposes, ITC should not ordinarily be denied merely because of the supplier's failure to pay tax. These landmark decisions are expected to serve as strong precedents in future disputes concerning ITC denial under GST.

BOOK LAUNCH EVENT BY

Sri. Balasubramanya M., JCCT &
Sri. D. Jaganatha Sagar, Retd. Addl. CCT at Mysuru.
Author : **Sri. S. Prasad**, Auditor

State-wise GST Revenue Performance analysis up to May 2026

Ashok, ADS

State wise Comparison of GST Revenues Upto the month of MAY 2026
(Rupees in Crores)

Sl.No	Name of the State	2025-26	2026-27	Growth Rate in %
1	Maharashtra	68,513	71,608	5%
2	Karnataka	29,500	32,069	9%
3	Gujarat	25,500	26,826	5%
4	Tamil Nadu	24,578	23,395	-5%
5	Haryana	22,801	24,365	7%
6	Uttar Pradesh	19,928	21,586	8%
7	Delhi	18,485	17,397	-6%
8	Telangana	11,126	12,226	10%
9	Odisha	9,536	9,112	-4%
10	Kerala	6,625	7,042	6%
	ALL INDIA	**3,15,613**	**3,19,653**	**1%**

The State-wise Comparison of GST Revenues up to May 2026 provides an important assessment of the performance of Goods and Services Tax (GST) collections across major Indian states during the financial year 2026–27, compared with the corresponding period of 2025–26. GST revenue serves as a key indicator of economic activity, consumption levels, industrial growth, business performance, and tax compliance. As GST remains one of the most significant sources of indirect tax revenue for both the Central and State Governments, an analysis of state-wise collections offers valuable insights into the economic trends prevailing across different regions of the country.

At the national level, GST collections increased from 3,15,613crore in 2025–26 to 3,19,653 crore in 2026–27, representing an overall growth of 1%. Although the aggregate growth is relatively modest, it reflects the resilience of the Indian economy and the continued stability of the GST system despite varying economic conditions. The marginal increase also indicates that while some states experienced robust growth, the gains were partially offset by declines in a few major states.

Maharashtra continued to be the largest contributor to GST revenues among the states covered in the report. The state recorded collections of 71,608 crore during 2026–27 compared to 68,513 crore in the previous year, reflecting a growth of 5%. Maharashtra's strong industrial base, extensive manufacturing sector, thriving financial services industry, and large consumer market continue to make it the leading contributor to national GST revenues.

Karnataka emerged as one of the best-performing states, registering a significant growth of 9%. GST collections increased from 29,300 crore to 32,069 crore, highlighting the state's strong economic momentum driven by information technology, biotechnology, start-up ecosystems, and service-sector expansion. Telangana recorded the highest growth rate among the states listed, at 10%, with collections rising from 11,126 crore to 12,226 crore. This performance reflects increasing commercial activity and improved tax compliance within the state.

Other states also reported encouraging growth. Uttar Pradesh registered an increase of 8%, while Haryana achieved growth of 7%. Kerala recorded a growth rate of 6%, and Gujarat posted a 5% increase in collections. These figures indicate sustained economic activity, expanding business operations, and strengthened tax administration mechanisms in these states.

In contrast, a few states experienced a decline in GST revenues during the period under review. Tamil Nadu reported a decrease of 5%, with collections falling from 24,578 crore to 23,395 crore. Similarly, Delhi witnessed a decline of 6%, while Odisha recorded a contraction of 4%. These declines may be attributable to sector-specific slowdowns, fluctuations in consumption patterns, lower business activity in certain industries, or temporary economic challenges affecting tax collections.

The report reveals significant variations in GST performance across states, reflecting differences in economic structure, industrial composition, investment patterns, and compliance levels. States that achieved higher growth rates appear to have benefited from stronger economic expansion, greater formalization of businesses, and effective tax administration practices. Conversely, states experiencing negative growth may need to focus on strengthening compliance measures, broadening the tax base, and promoting economic activities that contribute to revenue generation.

Felicitation Ceremony on Retirement of
Ms. C. Pushpalatha, Addl. CCT

Felicitation Ceremony on Retirement of
Sri. G. J. Chaluvegowda, Addl. CCT

The following officers retired in the Month of May 2026:

- **G. J. Chaluvegowda,** Addl. CCT
- **C. Pushpalatha,** Addl. CCT
- **B.S. Lokesh,** ACCT
- **Chandini P. Hegde,** CTO
- **M. Vijay,** CTO
- **B.R. Chandrashekar,** CTO
- **Kalasegowda,** CTO
- **G. Nagaraju,** CTO
- **K.K. Thimmaiah,** CTO
- **Premalatha H. Itagi,** CTO
- **S. Ganganna,** CTO