GST NEWSLETTER

COMMERCIAL TAX DEPARTMENT, GOVERNMENT OF KARNATAKA

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Review meeting of the Hon'ble Chief Minister D.K. Shivakumar of CTD on 26.06.2026

The Hon'ble Chief Minister of Karnataka who is also holding the port-folio of financeSri. D.K. Shivakumar, has directed the officials to intensify action against Goods and Services Tax (GST) evasion while ensuring that honest taxpayers are not subjected to unnecessary harassment. The directions were issued during a review meeting of the Commercial Taxes Department to assess GST collections and enforcement initiatives.

Emphasising the Department's vital role in strengthening the State's finances, Hon'ble Chief Minister expressed confidence that Karnataka would surpass its GST revenue target for the current financial year. He instructed officials to ensure strict monitoring of goods movement, stating that every goods vehicle either entering or leaving Karnataka must carry valid statutory documents. Further, he stressed that there should be no scope for revenue leakage and that enforcement at State borders must be strengthened.

Pointing out that tax evasion frequently involves inter-State transactions, the Hon'ble Chief Minister called for closer coordination with neighbouring States through enhanced Intelligence-sharing and joint enforcement operations. He also urged the officials to leverage technology more effectively by utilising the Department's database of nearly 12 lakh taxpayers. Advanced data analytics, he observed, should be used to identify compliance risks and detect suspicious transactions, while ensuring that genuine taxpayers are not put into inconvenience.

The Hon'ble Chief Minister also reviewed the Department's analytical Portal developed in collaboration with the Indian Institute of Technology (IIT), Hyderabad, which has proved effective in detecting fake invoicing and fraudulent input tax credit (ITC) claims through data-driven analysis.

Officials informed the Hon'ble CM that the Enforcement action against bogus firms had resulted in the recovery of ₹166 crore, while arrests in GST fraud cases had also been intensified. TheHon'ble Chief Minister directed officials to further strengthen legal action against individuals operating shell companies and engaging in fraudulent GST practices.

FROM THE DESK OF EDITOR

S. R. Thulasidas
Editor

The Goods and Services Tax (GST) regime continues to evolve as a modern, technology-driven tax system founded on transparency, voluntary compliance, and effective revenue administration. As the State strives to achieve its revenue objectives, the Commercial Taxes Department remains committed to strengthening enforcement while ensuring fairness, legal certainty, and taxpayer facilitation.During the recent review of the Department's performance, the Hon'ble Chief Minister emphasized the need to intensify efforts to curb GST evasion through the effective use of data analytics, technology-enabled intelligence, inter-agency coordination, and strict border monitoring. The focus is not only on preventing revenue leakage and combating fake invoicing but also on safeguarding honest taxpayers from unnecessary hardship. This balanced approach reflects the Department's commitment to ensuring that enforcement remains transparent, accountable, and fully consistent with the provisions of the GST law.

Since, already first quarter of the financial year has come to end it is essential for the Department to adopt a comprehensive roadmap aimed at achieving sustainable revenue growth. Greater emphasis should be placed on data-driven intelligence, risk-based enforcement, sector-specific monitoring, taxpayer outreach, voluntary compliance, technology-enabled analytics, timely recovery of government dues, and continuous performance review. A coordinated and proactive approach will strengthen tax administration while fostering a culture of compliance and trust among taxpayers.

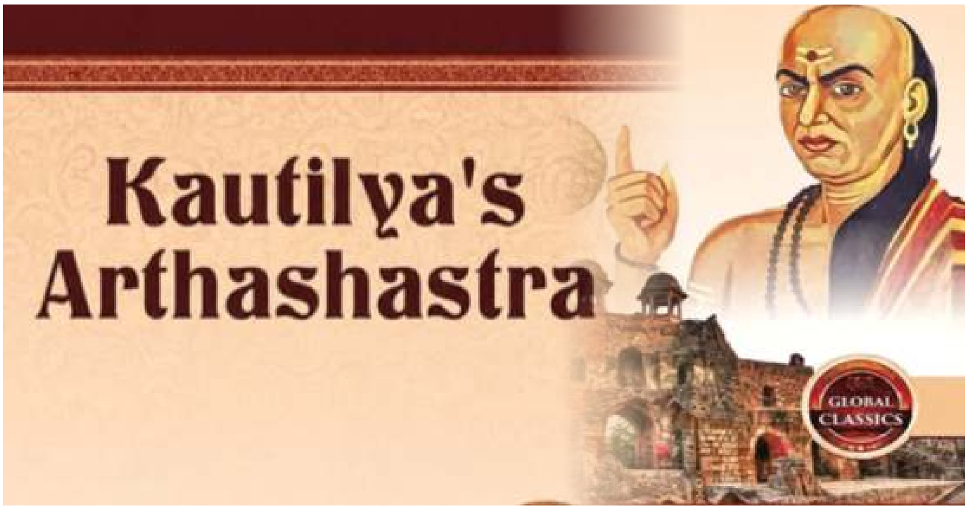
In this context I opine the role of officers at every level is crucial in achieving these objectives. Senior officers are expected to provide strategic leadership, policy guidance, legal supervision, capacity building, and regular monitoring of departmental performance. Executive officers, in turn, must ensure quality assessments, timely adjudication, effective enforcement, taxpayer facilitation, and efficient dispute resolution through fair, transparent, and citizen-centric administration.

Further, I strongly emphasise to give important priority in strengthening the Department's legal framework. The Legal Affairs Cell should be equipped with dedicated legal teams, centralized litigation management, systematic monitoring of important cases, regular legal training, timely legal opinions, and close coordination with field formations. Continuous review of significant judicial pronouncements and prompt preparation of appeals before the GST Appellate Tribunal will improve the quality of litigation management and promote consistency in departmental decisions.

The extension of the last date for filing appeals before the GST Appellate Tribunal until 31 July 2026 is a welcome relief for taxpayers encountering procedural and technical challenges. It provides a valuable opportunity to effectively exercise their statutory right of appeal, promotes timely resolution of tax disputes, and strengthens confidence in the GST appellate mechanism by ensuring that genuine litigants are not deprived of access to justice due to procedural constraints.

The articles and important judicial pronouncements featured in this edition have been carefully selected to enhance professional knowledge and promote uniform interpretation of GST law. We hope this newsletter will serve as a valuable reference for officers, tax practitioners, and other stakeholders by encouraging informed decision-making, reducing avoidable litigation, safeguarding taxpayer rights, and contributing to a transparent, technology-driven, and legally sustainable GST administration.

Index of Judgments



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Comparative Analysis: CHANAKYA'S TAXATION SYSTEM AND MODERN GST

Chanakya's indirect taxation system, as outlined in the Arthashastra, reflects a remarkably advanced understanding of fiscal administration and economic governance. Despite being conceived over two thousand years ago, its core principles closely resemble those underlying India's modern Goods and Services Tax (GST). Both systems aim to generate revenue for the state while promoting trade, encouraging economic growth, and ensuring that taxation does not become an undue burden on commerce. However, they differ significantly in their methods of administration and implementation.

A notable similarity between the two systems is their emphasis on preventing cascading taxation. Chanakya recognized that repeatedly taxing goods as they moved through the supply chain would increase costs, discourage trade, and reduce overall economic activity. Accordingly, customs duty (Sulka) was generally collected only once when goods entered a market. The GST regime achieves the same objective through the Input Tax Credit (ITC) mechanism, allowing businesses to claim credit for taxes paid on inputs so that only the value added at each stage is taxed.

Both systems also classify goods according to their social and economic importance. Chanakya advocated little or no tax on essential commodities such as food grains, vegetables, cattle, and agricultural produce, while imposing higher duties on luxury goods such as silk, perfumes, wines, and imported horses. Similarly, GST follows a differential tax structure in which essential goods are exempt or taxed at lower rates, whereas luxury and demerit goods attract higher tax rates and, in some cases, an additional compensation cess.

Another common feature is the use of taxation as an instrument of economic policy. Chanakya imposed higher duties on imported goods that competed with domestic products while granting concessions for strategically beneficial imports such as medicines and essential raw materials. Likewise, imported goods under GST are subject to Integrated GST (IGST) and customs duties, ensuring tax parity with domestic products while protecting local industries.

The principal difference lies in administration. Chanakya's system relied on physical toll houses where merchants declared goods, paid duties, and obtained official seals. In contrast, GST is administered through a technology-driven framework involving electronic registration, online return filing, e-invoicing, e-way bills, and digital tax payments through the GST Network (GSTN). Thus, while the administrative mechanisms have evolved from manual collection to digital governance, the fundamental principles of equitable taxation, trade promotion, and efficient revenue generation remain common to both systems.

Despite being separated by centuries and shaped by technological progress, both systems share the common objective of fostering economic stability, promoting trade, and generating sustainable government revenue through balanced taxation.

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Feature	Chanakya's Taxation System (Arthashastra)	Modern GST Regime
Primary Objective	Strengthen the state treasury (Kosha) while supporting profitable trade.	Create a unified national market and eliminate cascading taxes.
Tax Structure	Variable rates (5–20%) based on the necessity and luxury status of goods.	Multiple tax slabs (0%, 5%, 12%, 18%, and 28%).
Point of Taxation	Levied at city gates, ports and toll houses (Sulka-sala).	Collected at every stage of value addition.
Prevention of Double Taxation	Single-point taxation on goods entering the market.	Input Tax Credit (ITC) mechanism.
Import Policy	Higher duties on competing imports; concessions for beneficial goods.	Imports attract IGST and customs duties.
Tax Administration	Managed by the Panyadhyaksha and Sulkadhyaksha.	Administered through the GST Council and GSTN.

Letters to the EDITOR

S. Prasad
GST Practitioner

The GST Newsletter issued by the Karnataka Commercial Taxes Department is a highly commendable initiative that significantly contributes to the professional community. The compilation of important judgments from various High Courts and the Hon'ble Supreme Court, along with updates on circulars and expert articles, provides valuable insights into evolving GST jurisprudence. Such a consolidated and regularly updated resource greatly assists tax practitioners, departmental officers, and taxpayers in understanding legal developments and ensuring better compliance.

This effort not only promotes awareness but also enhances the quality of tax practice by bridging the gap between law, interpretation, and implementation. The inclusion of learned professional perspectives further enriches the content, making the newsletter a practical and reliable reference tool for day-to-day use. It is indeed a meaningful step towards knowledge dissemination and capacity building in the GST ecosystem.

Gauhati High Court Reiterates: Bona Fide Purchasers Cannot Be Denied ITC for Supplier's Default

The Gauhati High Court
W.P.(C) No.2933 Of 2026
4th June 2026

In a significant ruling under the GST regime, the Gauhati High Court in M/s Narayan Enterprise &Anr. v. Union of India &Ors. (WP(C) No. 2933/2026, decided on 04 June 2026) reaffirmed the principle that a genuine purchaser cannot be denied Input Tax Credit (ITC) merely because the supplier failed to remit the tax collected to the Government. The decision strengthens judicial protection available to bona fide taxpayers and reinforces the requirement that tax authorities proceed against defaulting suppliers rather than innocent recipients.

The dispute arose from an Order-in-Original dated 19 February 2024, whereby the GST authorities confirmed a demand of 22.22 lakh, along with interest and an equivalent penalty, against M/s Narayan Enterprise for the period from May 2018 to March 2019. The department alleged that the taxpayer had wrongly availed ITC on invoices issued by suppliers without actual receipt of goods, thereby violating the conditions prescribed under Section 16 of the CGST Act, 2017. The appellate authority subsequently upheld the demand, prompting the taxpayer to approach the High Court.

The petitioner contended that all purchases were genuine and supported by valid tax invoices, banking transactions, and actual receipt of goods. It was submitted that the taxpayer had cooperated with the investigation, furnished all relevant documents, and complied with statutory requirements for availing ITC. The petitioner further argued that no incriminating material was found during departmental searches and that the denial of credit was based solely on allegations concerning the suppliers' failure to discharge their tax liabilities.

Relying on the Division Bench judgment in National Plasto Moulding v. State of Assam, which in turn followed the Delhi High Court's landmark decision in On Quest Merchandising India Pvt. Ltd. v. Government of NCT of Delhi, the Court observed that a purchasing dealer cannot be expected to ensure that the supplier deposits the tax collected from it. Such a requirement would impose an impossible and unreasonable burden on bona fide purchasers who have already fulfilled their statutory obligations.

The Court reiterated that where a recipient has entered into genuine transactions with registered suppliers, possesses valid tax invoices, has received the goods, and has made payments through proper banking channels, denial of ITC solely on account of the supplier's default is legally unsustainable. The proper remedy available to the tax department is to proceed against the defaulting supplier rather than penalize a bona fide recipient.

Accepting the petitioner's contentions, the High Court set aside both the Order-in-Original and the appellate order. However, the Court clarified that the department would remain at liberty to initiate proceedings where there is evidence of collusion, fraud, or lack of genuineness in the transactions. Thus, the protection extends only to taxpayers who can demonstrate bona fide conduct and compliance with statutory requirements.

This judgment is an important addition to the growing body of jurisprudence protecting legitimate ITC claims. It reinforces the principle that GST credit, being a substantive right, cannot be denied merely because of a supplier's failure to deposit tax, unless the recipient is shown to be a participant in fraudulent or sham transactions. The ruling provides considerable relief to compliant businesses facing ITC disputes arising from supplier defaults and underscores the necessity of distinguishing genuine taxpayers from fraudulent actors.

Editor

Karnataka High Court Reinforces Natural Justice in ITC Blocking Cases

High Court of Karnataka,
W.P. No. 16897 of 2026
9th June 2026

In a noteworthy judgment reinforcing the importance of procedural fairness in GST administration, the Karnataka High Court has held that Input Tax Credit (ITC) cannot be blocked under Rule 86A of the CGST Rules without adhering to the principles of natural justice. The decision was rendered by Justice B.M. Shyam Prasad in GVS Engineering and Construction v. Assistant Commissioner of Commercial Taxes (WP No. 16897 of 2026), decided on 9 June 2026.

The petitioner, GVS Engineering and Construction, approached the High Court challenging the action of the tax authorities in blocking Input Tax Credit (ITC) amounting to 17,91,932 in its electronic credit ledger under Rule 86A of the CGST Rules. The restriction was imposed on the allegation that one of the petitioner's suppliers, M/s Ganesh Traders, had issued fake invoices without the actual supply of goods and was operating from a non-existent registered place of business. Treating the supplier as a suspicious entity, the department concluded that the ITC claimed by the petitioner was ineligible and consequently froze the credit, preventing its utilization for discharging GST liability.

The taxpayer approached the High Court challenging the blocking of Input Tax Credit (ITC) on the ground that the action was taken without issuing a prior show-cause notice or providing an opportunity of hearing. It was contended that such action violated the principles of natural justice, as the petitioner was denied a fair opportunity to present its case before an adverse decision was made. The petitioner further argued that the department's action was contrary to the law laid down by the Karnataka High Court in an earlier Division Bench judgment, which held that a notice requirement must be read into the statutory framework governing Rule 86A proceedings. The Court had emphasized that, given the serious financial consequences of blocking ITC, authorities must adopt a fair, transparent, and reasoned procedure before restricting a taxpayer's right to utilize accumulated tax credit.

During the hearing,, the state acknowledged the legal position emerging from the earlier Division Bench ruling and did not dispute the procedural safeguards are required before blocking credit. However, the Government Advocate submitted that separate proceedings relating to reversal of ITC had already been initiated through notices issued to the petitioner and that those proceedings were independent of the action taken under Rule 86A.

After considering the submissions of both sides, the Court observed that the controversy before it was confined to the order blocking ITC. Since the impugned action had been taken without following the procedure mandated by the earlier judicial precedent, the Court held that the blocking order could not be sustained in law.

Accordingly, the High Court partly allowed the writ petition, quashed the proceedings dated 24 February 2026 through which the ITC had been blocked, and directed the department to immediately unblock the petitioner's electronic credit ledger upon receipt of the certified copy of the order. At the same time, the Court clarified that the tax authorities remain free to proceed against the taxpayer in accordance with law, provided the prescribed procedure and principles of natural justice are duly followed.

This judgment serves as an important reminder that while Rule 86A, though intended to protect revenue in cases involving fraudulent transactions, cannot be exercised arbitrarily. The blocking of ITC has serious financial implications for businesses and directly impacts working capital. Therefore, authorities ensure that taxpayers are provided notice and a reasonable opportunity to present their case before such restrictive measures are imposed.

> The ruling strengthens taxpayer protections and reaffirms that procedural fairness remains a cornerstone of GST administration, even in cases involving allegations of fake invoicing or fraudulent credit claims.
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> **Editor**

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Input Tax Credit on Motor Vehicles under GST: Understanding Section 17(5)(a) and Blocked Credits

The Goods and Services Tax (GST) regime was introduced with the objective of creating a seamless credit chain by allowing businesses to claim Input Tax Credit (ITC) on taxes paid at earlier stages of the supply chain. This mechanism eliminates the cascading effect of taxes and ensures that GST is ultimately borne only by the final consumer. However, the entitlement to ITC is not absolute. The legislature has consciously placed restrictions on credit relating to certain goods and services through Section 17(5) of the CGST Act, 2017, commonly referred to as the "blocked credit" provisions. One of the most significant restrictions pertains to ITC on motor vehicles under Section 17(5)(a). Given the substantial capital investment involved in acquiring vehicles for business operations, a clear understanding of these provisions is essential for taxpayers to avoid disputes, interest liabilities, and costly litigation.

Section 17(5)(a) blocks Input Tax Credit (ITC) on motor vehicles designed for transporting persons with an approved seating capacity of up to 13 persons, including the driver. Accordingly, ITC is generally unavailable on passenger cars, sedans, SUVs, and similar vehicles used for business purposes. However, the provision provides three key exceptions. First, ITC is allowed where vehicles are acquired for further supply, such as by automobile dealers, manufacturers, or leasing companies, as they constitute stock-in-trade. Secondly, businesses providing taxable passenger transportation services, including taxi operators, bus operators, tour operators, and app-based ride-hailing platforms, may claim ITC on vehicles used for such services. Thirdly, ITC is available where vehicles are used for imparting training in driving, flying, or navigation, benefiting driving schools, aviation academies, and similar training institutions.

A recurring area of controversy concerns vehicles used by companies for employee transportation, official travel, or the movement of senior executives. Advance Ruling Authorities have consistently adopted a narrow interpretation of the statutory exceptions. In rulings such as Cummins Technologies India Pvt. Ltd. and SreeRayalaseema Hi-Strength Hypo Ltd., it was held that vehicles used for transporting employees or company officials do not qualify for ITC because such transportation is merely incidental to business operations and does not amount to the outward taxable supply of passenger transportation services. The authorities emphasized that the phrase "transportation of passengers" under Section 17(5)(a) refers to a taxable commercial service supplied to customers for consideration and not to internal employee welfare or administrative arrangements.

An equally important distinction under Section 17(5)(a) is between passenger vehicles and goods carriages. Since the restriction applies only to motor vehicles designed for the transportation of persons, trucks, lorries, trailers, and other goods transport vehicles generally remain eligible for ITC, subject to fulfillment of other GST conditions. Businesses engaged in manufacturing, logistics, warehousing, construction, mining, and freight transportation can therefore claim ITC on such vehicles. Judicial precedents, including Jai Jagannath Steels, have affirmed that goods carriages are outside the scope of blocked credit. Similarly, Safeguard Educational and Welfare Trust clarified that the restriction is confined to passenger vehicles with seating capacity not exceeding thirteen persons.

From a compliance perspective, businesses should carefully evaluate every motor vehicle purchase before claiming ITC. Factors such as the type of vehicle, approved seating capacity, intended business use, and the nature of the taxable outward supply should be examined in light of Section 17(5)(a). Maintaining invoices, registration certificates, business records, and documentary evidence demonstrating that the vehicle falls within one of the statutory exceptions is equally important. As GST jurisprudence continues to evolve through judicial pronouncements and administrative clarifications, taxpayers should regularly review their ITC positions and update their compliance practices. A well-informed and documented approach will not only minimize litigation but also ensure that legitimate credit entitlements are preserved while remaining fully compliant with the GST framework.

GST Registration Cancellation Cannot Be a Checkbox Exercise: Reasoned Orders Are Mandatory

The Goods and Services Tax (GST) The GST registration of a business is far more than a mere identification number on the GST portal. It is the legal foundation that enables a taxpayer to undertake taxable supplies, issue tax invoices, avail input tax credit (ITC), and participate in the formal economy. Consequently, cancellation of GST registration has severe commercial and financial implications, often disrupting business operations, affecting working capital, and exposing both suppliers and buyers to prolonged tax disputes. Recent judicial pronouncements have strongly reiterated that such drastic action cannot be taken mechanically through portal-generated templates or checkbox selections without recording proper reasons.

Under Section 29(2) of the CGST Act, registration may be cancelled only on specific statutory grounds such as non-filing of returns, contravention of GST provisions, or obtaining registration through fraud or suppression of facts. However, the exercise of this power is not automatic. The proper officer is required to identify the applicable statutory provision, examine the supporting evidence, consider the taxpayer's explanation, and record clear reasons for arriving at the decision. A mere conclusion stating that the taxpayer's reply is "not satisfactory" does not satisfy the legal requirement of a speaking order.

The article highlights the landmark decision of the Gauhati High Court in G.R. Nirmolia& Co. v. Union of India, where the Court held that even if a taxpayer fails to respond to the show cause notice, the tax authority remains under a legal obligation to issue a reasoned and speaking order. The absence of a reply cannot justify passing a mechanical cancellation order. Every order having adverse civil consequences must demonstrate proper application of mind and compliance with principles of natural justice.

Similarly, the Allahabad High Court has consistently invalidated cancellation orders that merely reproduce statutory language without disclosing factual findings or reasons. The Court observed that cancellation of GST registration may result in the "economic death" of a business and therefore requires strict adherence to procedural fairness. Merely describing a taxpayer as a "bogus" or "non-existent" dealer without supporting evidence or identifying the precise statutory ground is legally unsustainable. The Court has even recommended administrative action against officers who continue to issue such non-speaking orders.

The consequences of arbitrary cancellation extend well beyond the supplier. Where registrations are cancelled retrospectively without adequate reasons, bona fide purchasers often face denial of input tax credit, tax demands, interest, and penalties under Sections 73 or 74 solely because their supplier's registration was subsequently cancelled. Courts have cautioned that such downstream proceedings cannot rest exclusively on defective cancellation orders. Before denying ITC, authorities must independently establish whether the supplier was genuinely non-existent at the time of supply, whether goods were actually received, whether payment was made through banking channels, and whether the recipient had any involvement in fraudulent activity.

The article also outlines practical grounds available to taxpayers for challenging mechanical cancellation orders. These include violation of natural justice, absence of reasons, failure to establish any statutory ground under Section 29(2), unjustified retrospective cancellation, and mechanical rejection of replies. Taxpayers are advised to produce documentary evidence such as business premises proof, bank statements, invoices, e-way bills, stock records, and return filings while pursuing revocation applications, appeals, or writ petitions.

The emerging judicial consensus sends a clear message that GST registration cannot be cancelled through a mere checkbox exercise. A valid cancellation order must disclose the statutory basis, the material relied upon, consideration of the taxpayer's explanation, and clear reasons supporting the conclusion. Transparent, reasoned, and legally sustainable orders not only protect taxpayers' rights but also strengthen tax administration by reducing avoidable litigation and promoting confidence in the GST regime.

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Addl. CCT

GSTN Monthly Deployments May 2026

The Goods and Services Tax Network (GSTN) introduced a series of important enhancements during May 2026 to strengthen the GST ecosystem through improved compliance, enhanced security, and greater operational efficiency. These updates are designed to simplify processes for taxpayers and tax officers while reinforcing GSTN's commitment to a technology-driven, transparent, and user-friendly tax administration system.

A major development is the introduction of a facility allowing both taxpayers and tax authorities to file appeals simultaneously before the First Appellate Authority. Previously, procedural dependencies often delayed appellate proceedings. The new functionality enables both parties to submit appeals independently and concurrently, reducing procedural bottlenecks and facilitating quicker disposal of disputes. This enhancement is expected to improve transparency, streamline appeal management, and strengthen the efficiency of the GST appellate framework.

GSTN has also enabled the filing of GSTR-10 (Final Return) for Casual Taxable Persons (CTPs) whose registration validity has expired. This feature addresses a long-standing compliance challenge by allowing CTPs to formally conclude their GST obligations even after the expiry of their temporary registration. The facility simplifies the closure of tax liabilities, reduces compliance gaps, and minimizes the possibility of notices arising from non-filing of the final return.

Significant improvements have also been introduced in the Back Office Portal used by tax officers. In remanded cases, appellate authority orders issued through APL-04 can now be directly implemented on the portal. Adjudicating authorities can issue fresh orders without additional manual intervention, while the system automatically generates and links the corresponding DRC-07 summary of demand to the remand order. This automation improves accuracy, reduces processing time, and strengthens the demand recovery mechanism.

To enhance record management, Financial Year 2026–27 has been added to the Record Search option under the FY Activity module of the Back Office Portal. This enables officers to quickly access records relating to the new financial year, thereby improving administrative efficiency and facilitating faster case processing.

GSTN has also taken a significant step towards strengthening digital security by introducing an OTP-based GSTIN Validation API. The new API authenticates GSTINs through One-Time Password (OTP) verification, providing more secure and reliable validation. It also incorporates comprehensive audit logging to ensure complete traceability of validation transactions. These measures enhance data integrity, improve system security, and support secure digital interactions across the GST ecosystem.

Additional upgrades have been made to taxpayer jurisdiction management and administrative functions. These include automated email notifications to reporting officers whenever jurisdiction changes are made, streamlined file validation procedures, mandatory Digital Signature Certificate (DSC) authentication for regular search requests, and strengthened jurisdiction validation checks. The Back Office Administration module has also been improved through colour-coded interfaces, alphabetical sorting of dropdown menus, expanded officer information fields, and enhanced leave management functionalities, making the system more user-friendly and efficient for departmental officers.

Overall, the May 2026 GSTN deployments represent another significant milestone in the digital transformation of India's GST administration. By emphasizing automation, security, transparency, and user convenience, these enhancements are expected to reduce compliance burdens, improve administrative productivity, strengthen governance, and accelerate tax administration processes. The latest initiatives reaffirm GSTN's commitment to building a modern, secure, and efficient GST ecosystem that benefits taxpayers, tax officers, and administrators while supporting effective implementation of the Goods and Services Tax regime.

Orissa High Court Clarifies Limitation Computation for GST Appeals

High Court of Orissa
W.P. No.17373 of 2026.
Dated: 05.06.2026

In a noteworthy judgment delivered on 5 June 2026 in M/s Mahesh Value Products Pvt. Ltd. v. Chief Commissioner of CT & GST & Others, the Orissa High Court addressed an important issue concerning the computation of limitation for filing appeals under Section 107 of the GST Act. The ruling provides significant guidance to taxpayers and tax authorities on the correct method of calculating the appeal period and reinforces the importance of adhering to principles of natural justice.

The dispute arose when the petitioner challenged an order of the Additional Commissioner of State Tax (Appeal), Cuttack, which had rejected its appeal as being filed beyond the permissible limitation period. The adjudication order under Section 73 of the GST Act had been communicated to the taxpayer through the GST portal on 15 October 2025. Aggrieved by the order, the taxpayer filed an appeal on 13 February 2026. The appellate authority held that the appeal was filed beyond the maximum condonable period and therefore rejected it without examining the merits of the case.

Before the High Court, the taxpayer argued that the appellate authority had incorrectly computed the limitation period. It was contended that under Section 107(1) of the GST Act, an appeal may be filed within three months from the date of communication of the order, and under Section 107(4), the delay may be condoned for a further period of one month. Relying on Section 9 of the General Clauses Act, 1897, the petitioner submitted that the date of communication of the order must be excluded while calculating the limitation period.

The High Court accepted the taxpayer's contention and undertook a detailed analysis of the statutory framework governing limitation under the GST law, along with the judicial precedents interpreting similar provisions. Relying on authoritative decisions of the Supreme Court and various High Courts, the Court reiterated the well-settled principle that where a statute prescribes a limitation period to be computed “from” a specified date, the day on which the triggering event occurs must be excluded from the calculation. Applying this principle, the Court held that the limitation period commenced on 16 October 2025, being the day immediately following the communication of the adjudication order, and not on the date of communication itself. This interpretation ensured that the taxpayer received the full statutory period available for filing the appeal.

Applying this settled principle, the High Court held that the statutory period of three months for filing the appeal expired on 15 January 2026, while the additional condonable period of one month remained available until 15 February 2026. Since the taxpayer had filed the appeal on 13 February 2026, it was well within the period during which delay could legally be condoned. Accordingly, the Court held that the appellate authority had committed a manifest error in rejecting the appeal as barred by limitation and directed that the appeal be entertained and decided on its merits in accordance with law.

The Court also took note of another significant procedural lapse. A show cause notice had been issued to the taxpayer regarding the delay in filing the appeal, and the taxpayer had submitted a detailed reply explaining the reasons for the delay. However, despite the reply having been filed and acknowledged electronically, the appellate authority failed to consider it while passing the rejection order. The Court held that such non-consideration of the taxpayer's explanation amounted to a denial of a fair opportunity and constituted an error apparent on the face of the record.

> This judgment serves as an important reminder that limitation periods under the GST law must be computed strictly in accordance with established legal principles. It also emphasizes that procedural technicalities should not override substantive justice and that taxpayers must be afforded a meaningful opportunity to explain delays before their appeals are rejected.
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> **Editor**

Haryana GST Department Introduces Additional Safeguards for Service of Notices and Orders

In a significant taxpayer-friendly initiative, the Excise and Taxation Department, Haryana has issued Instruction No. 02/2026/GST-II dated 01 June 2026, prescribing an additional mode of communication for Show Cause Notices (SCNs) and Demand Orders issued under the GST law. The instruction seeks to address concerns raised by taxpayers and trade bodies regarding instances where notices uploaded on the GST portal were not noticed in time, resulting in missed opportunities to respond and consequent litigation.

The department observed that although the GST law recognizes electronic communication through the common portal as a valid mode of service, taxpayers often face practical difficulties in monitoring portal communications on a regular basis. This has led to situations where proceedings were completed ex parte due to non-response, prompting demands for a more effective communication mechanism. In response, the State Government has introduced supplementary measures to ensure that taxpayers receive timely intimation of important notices and orders.

Under the new instruction, all Show Cause Notices issued in Form GST DRC-01 and Demand Orders issued in Form GST DRC-07 under Sections 73, 74, 74A and 122 of the Haryana GST Act are required to be served through a dual mode of communication. In addition to being uploaded and made available electronically on the GST portal, these documents must also be dispatched through Registered Post or Speed Post with Acknowledgement Due (RPAD/SPAD). The physical communication must be addressed to the taxpayer's last known place of business or residence, or, where applicable, to the taxpayer's duly authorized representative. This additional requirement is intended to strengthen compliance with statutory service provisions, enhance transparency, reduce disputes relating to non-service of notices, and ensure that taxpayers receive timely and effective intimation of proceedings initiated against them.

Importantly, the instruction clarifies that the legal provisions relating to service of notices remain unchanged. The date on which a notice or order is made available on the GST common portal will continue to be treated as the date of service under Section 169 of the HGST Act. The postal communication is therefore intended only as an additional facilitative measure and does not alter the statutory framework governing service of notices.

To ensure timely implementation, jurisdictional Proper Officers have been directed to dispatch the postal communication within fifteen days from the date of issuance of the notice or order on the GST portal. Further, officers are required to maintain detailed dispatch registers recording particulars of all notices and orders sent through post. These records will be reviewed periodically, and supervisory officers have been tasked with monitoring compliance.

The instruction is expected to enhance transparency, accountability, and procedural fairness in GST administration while reinforcing the principles of natural justice. By requiring Show Cause Notices and Demand Orders to be dispatched through Registered Post or Speed Post with Acknowledgement Due, in addition to being uploaded on the GST portal, the Haryana Government aims to ensure effective communication with taxpayers. This dual mode of service is likely to reduce disputes regarding non-receipt of notices and minimize avoidable litigation. While taxpayers must continue to regularly monitor the GST portal, the revised procedure provides an important safeguard against inadvertent non-compliance due to missed electronic communications.

Overall, the initiative reflects the department's commitment to improving taxpayer services and ensuring that adjudication proceedings under GST are conducted in a fair and informed manner.

No ITC Denial Merely for Absence of Lorry Receipts & E-Way Bills: Madras High Court Reiterates Substantive Compliance under GST

Madras High Court
W.P. No. 20601 of 2023
Dated: 05th June 2026

The Hon'ble Madras High Court has once again reinforced a significant principle under the Goods and Services Tax regime that Input Tax Credit (ITC) cannot be denied solely on the basis of non-production of transport-related documents such as lorry receipts, weighment slips, or e-way bills, particularly where the genuineness of the underlying transaction is otherwise supported by credible evidence and the supplier has duly discharged tax liability.

The dispute arose when the petitioner, M/s. Akal Trade Links, was denied ITC by the tax authorities in respect of purchases made from a registered supplier during the assessment year 2018–19. The supplies were supported by valid tax invoices, each containing details of the vehicle used for transportation. It was also an undisputed fact that the supplier was a duly registered person under GST at the relevant time, had filed returns reflecting the impugned supplies, and had discharged the corresponding tax liability to the Government. The registration of the supplier was cancelled only subsequently, after completion of the transactions in question.

Despite these facts, the department proceeded to deny ITC solely on the ground that the assessee had failed to produce lorry receipts, weighment slips, and e-way bills to substantiate actual movement of goods. The petitioner challenged this action before the High Court under Article 226 of the Constitution, contending that all substantive conditions under Section 16 of the CGST Act, 2017 stood satisfied and that denial of credit on purely procedural grounds was legally unsustainable.

The central issue before the Court was whether ITC could be denied merely for lack of transport documents when the tax invoices were available, the supplier was registered during the relevant period, the supplier had discharged tax liability, and the invoices themselves contained details of the vehicle used for transportation.

The Court observed that while Section 155 of the CGST Act places the burden of proof for eligibility of ITC on the claimant, such burden cannot be interpreted in a manner that reduces it to a mechanical insistence on a specific set of documents. The adjudicating authority is required to undertake a holistic examination of all available evidence, including tax invoices, supplier's GST returns, payment of tax, and other supporting records that establish the genuineness of the transaction.

Importantly, the Court held that where the supplier was registered during the relevant period and had discharged tax liability, and where invoices contained sufficient details regarding movement of goods, denial of ITC solely due to absence of lorry receipts or weighment slips cannot be sustained without a deeper verification of facts. The matter was accordingly remanded back to the adjudicating authority for fresh consideration, with liberty to the assessee to produce additional supporting documents and with a direction for a reasoned decision after due hearing.

This ruling reiterates that GST law prioritizes substantive compliance over procedural lapses. However, it also underscores that taxpayers must maintain a robust evidentiary trail to substantiate transactions, as authorities are entitled to examine the genuineness of supplies in detail.

From a practical standpoint, the judgment serves as a significant relief for bona fide taxpayers facing ITC denial merely due to absence of certain transport documents, while simultaneously reminding that comprehensive documentation remains essential to withstand scrutiny under GST assessments.

Editor

S.R. Thulasidas
Addl. CCT

Section 74 Cannot Be a Shortcut for GST Reconciliation Issues

The GST regime places significant emphasis on data analytics and reconciliation to identify potential tax risks. However, recent instances of invoking Section 74 of the CGST Act for mere mismatches between Form 26AS and GSTR-1 have raised serious concerns among taxpayers and professionals alike. A growing trend, particularly in Karnataka, indicates that notices are being issued alleging suppression of turnover solely on the basis of differences between B2B transactions reflected in Form 26AS and those reported in GSTR-1.

A recurring issue arises where tax authorities compare only the B2B transaction values reflected in Form 26AS with the B2B outward supplies reported in GSTR-1, while completely disregarding B2C transactions. Such an approach is fundamentally flawed because Form 26AS captures only those transactions on which tax has been deducted or collected at source (TDS/TCS) and therefore does not represent the taxpayer's entire turnover. A substantial portion of business receipts may comprise B2C supplies, which are outside the scope of Form 26AS. Consequently, treating the difference between Form 26AS and GSTR-1 as undisclosed turnover, without considering B2C supplies or seeking a proper reconciliation from the taxpayer, can result in an erroneous, inflated, and unsustainable tax demand.

What makes the matter even more serious is the invocation of Section 74, a provision specifically designed to address cases involving fraud, wilful misstatement, or suppression of facts with the intention of evading tax. The provision carries significant consequences, including an extended limitation period for issuing notices and the imposition of penalties equivalent to 100% of the alleged tax liability. However, where the taxpayer has consistently disclosed the entire turnover in the books of accounts, GSTR-1, GSTR-3B, GSTR-9, and income-tax returns, there is no material to establish fraud or deliberate suppression. In such circumstances, the essential statutory conditions for invoking Section 74 are clearly absent, rendering the initiation of proceedings under this provision legally unsustainable.

Several judicial pronouncements have consistently emphasized that fraud or suppression cannot be presumed merely from reconciliation differences. Courts have held that before invoking Section 74, authorities must possess tangible material demonstrating deliberate intent to evade tax. Mere computational errors, reporting inconsistencies, or data mismatches cannot automatically justify proceedings under this stringent provision.

Another area of concern is the apparent lack of verification before issuing notices. GST officers have access to a wide range of information, including returns, annual statements, e-way bills, and income-tax data. Yet, in many cases, notices appear to be generated mechanically based on internal reports without undertaking a comprehensive reconciliation of the available records. Such an approach undermines the principles of natural justice and increases avoidable litigation.

Taxpayers receiving such notices should promptly prepare a detailed reconciliation of books of accounts, GST returns, and Form 26AS, demonstrating that the overall turnover has been correctly disclosed and taxes have been duly paid. They should also specifically challenge the allegation of fraud or suppression and seek a reasoned order after a personal hearing.

While technology-driven scrutiny is an essential feature of modern tax administration, data analytics cannot replace legal scrutiny and factual verification. Section 74 is a powerful anti-evasion tool and must be reserved for genuine cases of fraud, not routine reconciliation disputes. A balanced and evidence-based approach is crucial to maintaining taxpayer confidence and ensuring fairness in GST administration.

GST Registration Cancellation

Uttarakhand High Court Permits Revocation of GST Registration Cancellation on Compliance with Statutory Requirements

Uttarkhand High Court
W.P. No.503 of 2026.
19th June 2026

In a significant relief for taxpayers, the Uttarakhand High Court has reiterated that cancellation of GST registration on account of non-filing of returns should not permanently deprive a registered person of carrying on business, provided the taxpayer is willing to regularise the default. In Dharampal Lakhani v. Commissioner, Central Goods & Services Tax & Another (Writ Petition (M/B) No. 503 of 2026) decided on 19 June 2026, the Division Bench comprising Chief Justice Manoj Kumar Gupta and Justice SubhashUpadhyay permitted the petitioner to seek revocation of the cancellation order by complying with the statutory requirements.

The petitioner challenged an order dated 14 June 2025 by which the GST registration of his firm had been cancelled for failure to furnish GST returns within the prescribed time. Such cancellation has serious commercial consequences, as it prevents a taxpayer from making taxable supplies, issuing valid tax invoices, availing input tax credit, and conducting business in the normal course. Seeking relief from the High Court, the petitioner relied upon an earlier judgment of the same Court in WPMB No. 39 of 2025, where a coordinate Bench had granted liberty to the taxpayer to apply for revocation of the cancellation after completing the pending compliances.

The petitioner contended that the facts and circumstances of the present case were substantially identical to those considered in the earlier decision and therefore sought the grant of similar relief. The counsel representing the Central Goods and Services Tax Department fairly acknowledged this position and submitted that the respondents had no objection if the writ petition was disposed of in terms of the directions and relief already granted by the Court in the earlier judgment.

Accepting the submissions of both parties, the Division Bench disposed of the writ petition by extending the benefit of its earlier ruling. The Court permitted the petitioner to file an application for revocation of the cancellation order within two weeks, subject to filing all pending GST returns and payment of the outstanding tax liability together with the applicable interest and penalty. The competent authority was directed to consider and decide the revocation application in accordance with law within four weeksfrom the date of its receipt.

The judgment reflects the High Court's balanced approach towards GST compliance. While recognising that filing of returns is a statutory obligation and that persistent non-compliance may justify cancellation of registration, the Court also acknowledged that taxpayers who are prepared to rectify their defaults should be given an opportunity to restore their registrations. Such an approach advances the objective of the GST regime by encouraging compliance rather than permanently excluding businesses from the tax system.

The ruling is also significant for reinforcing the principle of judicial consistency and ensuring uniform application of the law. Since a coordinate Bench had already prescribed the procedure to be followed in identical factual circumstances, the Court considered it appropriate to extend the same relief in the present case. The fact that the Revenue fairly stated that it had no objection to such a course further strengthened this approach. By doing so, the Court avoided unnecessary litigation, promoted certainty and predictability in tax administration, and provided valuable guidance to taxpayers facing similar disputes.

This decision serves as an important reminder that cancellation of GST registration is not always the end of the road. Taxpayers whose registrations have been cancelled solely for non-filing of returns should promptly evaluate the possibility of seeking revocation by furnishing pending returns and clearing all outstanding tax, interest, and penalty. The judgment reinforces the principle that the GST law seeks voluntary compliance and business continuity while safeguarding the interests of the revenue through fulfilment of statutory obligations.

S. Mirza Azmatulla
Addl. CCT

Dual GST Jurisdiction: The Growing Challenge of Parallel Proceedings

One of the fundamental objectives of the Goods and Services Tax (GST) regime was to create a unified and streamlined tax administration. However, despite the statutory framework designed to ensure coordination between Central GST (CGST) and State GST (SGST) authorities, taxpayers continue to face a significant challenge—parallel proceedings initiated by multiple authorities on the same transactions and tax periods.

Section 6(2)(b) of the CGST Act was introduced as a safeguard against such duplication. The provision stipulates that once proceedings on a particular subject matter are initiated by either the CGST or SGST authorities, the corresponding authority under the other enactment cannot initiate proceedings on the same subject matter. The intent is clear: a taxpayer should not be compelled to defend the same issue before multiple authorities merely because GST is administered through a dual structure.

In practice, however, taxpayers frequently receive multiple notices from different wings of the GST administration. It is not uncommon for CGST authorities to complete proceedings relating to a financial year, only for SGST authorities to initiate fresh proceedings on the same transactions after a considerable lapse of time. Similar overlaps are also witnessed among audit, anti-evasion, intelligence, and adjudication wings operating within the same administration.

The primary reason for this problem appears to be the absence of an effective system for mapping proceedings across authorities. Different departments often function in silos, with limited visibility into actions already taken by other formations. Separate reporting structures, enforcement priorities, and performance targets further contribute to the issue. As a result, taxpayers are forced to maintain extensive records and repeatedly raise jurisdictional objections to prevent duplication.

Judicial pronouncements have increasingly reinforced the protection available under Section 6(2)(b). Various High Courts have held that once proceedings are initiated by one authority on a particular subject matter, another authority cannot pursue parallel adjudication on the same issue. Courts have emphasized that the provision is not merely an administrative guideline but a substantive legal restriction intended to prevent harassment, inconsistent findings, and overlapping demands.

At the same time, courts have clarified that the test is not whether two proceedings relate to the same financial year, but whether they concern the same subject matter. Distinct issues involving different facts or liabilities may still be examined separately. Therefore, taxpayers must carefully compare notices to determine whether there is actual overlap in facts, transactions, suppliers, or alleged contraventions.

Until a robust digital coordination mechanism is introduced, taxpayers should proactively maintain comprehensive records of all notices, audits, investigations, adjudication proceedings, and correspondence with tax authorities. In the event of receiving a duplicate or overlapping notice, they should immediately raise an objection supported by relevant documents demonstrating the identity of issues involved, thereby preventing parallel proceedings, avoiding unnecessary litigation, and safeguarding their procedural rights under the GST law.

The recurring issue of parallel proceedings highlights a broader administrative concern—dual control without adequate coordination. Strengthening inter-departmental communication and implementing technology-driven case mapping will be crucial to ensuring that the promise of **"One Nation, One Tax"** is not undermined by **"One Taxpayer, Multiple Proceedings."**

Karnataka High Court Restores GST Adjudication After Finding Taxpayer Was Denied Effective Opportunity

High Court of Karnataka
W.P. No.16096 of 2026
Dated: 04.06.2026.

Ruling reinforcing the principles of natural justice under the GST regime, the Karnataka High Court in M/s Paxal Fuel Corporation v. Deputy Commissioner of Commercial Taxes (Audit) set aside an ex parte adjudication order passed under Section 73 of the Central Goods and Services Tax Act, 2017, after holding that the taxpayer must be afforded a real and effective opportunity to respond to the Show Cause Notice (SCN). The Court observed that adjudication involving substantial tax demands cannot be sustained where the taxpayer asserts that the SCN was never properly served through the registered e-mail address.

The petitioner challenged an adjudication order dated 23 December 2025 by which the tax department confirmed a demand exceeding 1.13 crore towards tax, interest, and penalty. The principal grievance raised before the High Court was that the Show Cause Notice forming the very foundation of the adjudication proceedings had never been served upon the petitioner's registered e-mail address. Although the adjudication order recorded that the notice had been sent electronically, the petitioner contended that no such communication was received before the order was passed and that the notice was uploaded on the GST portal only after the adjudication order had already been issued.

On behalf of the State, the Additional Government Advocate submitted that the adjudicating authority had also attempted to contact the petitioner through the available telephone numbers, but those efforts proved unsuccessful. Nevertheless, the State maintained that the adjudication had proceeded in accordance with law after the petitioner failed to respond.

Justice B.M. Shyam Prasad found merit in the petitioner's contention and observed that the impugned adjudication order was based almost entirely on the allegation that the petitioner had failed to respond to the Show Cause Notice. However, where the taxpayer specifically disputes the very service of the notice, the authority must first ensure that the notice was effectively communicated before drawing an adverse inference from non-response. The Court emphasised that an opportunity of hearing must be genuine and meaningful, particularly where the proceedings may culminate in substantial financial liabilities.

The Court further observed that demands involving tax, interest, and penalty exceeding 1.13 crore carry significant civil consequences. Therefore, before fastening such liability, the taxpayer must receive a real opportunity to present books of account, documentary evidence, and legal submissions. Procedural fairness cannot be sacrificed merely because the adjudicating authority records that an electronic communication was issued, especially when the taxpayer disputes its actual receipt.

Accordingly, the High Court partly allowed the writ petition and quashed the adjudication order dated 23 December 2025. The matter was restored to the adjudicating authority for fresh consideration. The petitioner was granted liberty to file a comprehensive reply to the Show Cause Notice dated 29 September 2025 on or before 6 July 2026, with all questions on merits left open for determination by the authority after considering the taxpayer's response.

This decision reiterates that compliance with the principles of natural justice remains indispensable under GST adjudication proceedings. While electronic modes of communication facilitate tax administration, authorities must ensure that notices are effectively served before proceeding ex parte. The judgment serves as an important reminder that procedural fairness is not a mere technical formality but a substantive safeguard that protects taxpayers against arbitrary assessments. The ruling is likely to guide tax authorities in ensuring proper service of notices and providing meaningful opportunities of hearing before confirming substantial GST demands.

Punjab & Haryana High Court Quashes GST Order Passed Without Proper Consideration of Taxpayer's Reply

High Court of Punjab and Haryana
CWP No.7816 of 2026
Dated: 17.04.2026.

In a significant ruling reinforcing the principles of natural justice in GST adjudication, the Punjab & Haryana High Court set aside a demand order issued against a taxpayer after finding that the adjudicating authority had failed to properly consider the detailed replies and supporting documents submitted during the proceedings. The Court held that a quasi-judicial order cannot merely reproduce allegations or record conclusions without demonstrating due application of mind.

The petitioner, a proprietorship engaged in the trading of veterinary and poultry feed supplements and additives, had earlier faced proceedings for the financial year 2020-21 concerning the reversal of input tax credit (ITC) relating to exempt supplies. After examining the taxpayer's explanation and records, the department had dropped those proceedings. Subsequently, for the financial year 2021-22, another scrutiny was initiated on a similar issue, culminating in the issuance of a Show Cause Notice under Section 73 of the GST law.

In response, the taxpayer submitted detailed explanations supported by ledgers, reconciliations, and documentary evidence demonstrating that the disputed ITC pertained to taxable supplies. The petitioner also relied upon relevant CBIC circulars clarifying the legal position regarding ITC reversal. Additional reconciliations and supporting documents were furnished before the adjudicating authority to establish that the demand was unsustainable.

Despite these comprehensive submissions, the adjudicating authority confirmed the proposed demand. The impugned order merely stated that the taxpayer's reply remained unsatisfactory because the issue was "sub judice" regarding the applicability of ITC reversal, without explaining the basis for such a conclusion or dealing with the specific arguments advanced by the taxpayer.

Before the High Court, the petitioner argued that the order reflected complete non-application of mind. It was emphasized that the authority had ignored the detailed replies, failed to consider the reconciliations, and overlooked the fact that similar proceedings for the previous financial year had already been dropped after examining identical issues.

The State fairly conceded before the Court that no issue relating to the applicability of ITC reversal was actually pending or "sub judice" in the petitioner's case. This admission further weakened the reasoning adopted in the impugned order.

After examining the record, the High Court observed that the adjudicating authority had provided no cogent reasons for rejecting the taxpayer's submissions. The order failed to explain which outward supplies were treated as taxable or exempt, how the CBIC circulars were distinguished, or why the reconciliations produced by the petitioner were unacceptable. The Court noted that the authority had simply repeated that the matter was "sub judice" without any factual or legal foundation.

Holding that the order suffered from complete non-application of mind, the Court quashed the demand order. However, it clarified that the department would remain free to continue the adjudication proceedings on the existing Show Cause Notice, provided that all replies and documents submitted by the taxpayer are duly considered, a reasonable opportunity of hearing is granted, and a fresh speaking order is passed in accordance with law.

The decision serves as an important reminder that GST adjudication must be reasoned, transparent, and evidence-based. Tax authorities are expected to meaningfully examine the taxpayer's submissions and record clear findings on every material contention. Mechanical or unreasoned orders not only violate the principles of natural justice but also fail to withstand judicial scrutiny, thereby resulting in avoidable litigation.

NGTP Tag Cannot Replace Evidence: Protecting Bona Fide Taxpayers Under GST

The increasing use of the Non-Genuine Taxpayer (NGTP) tag by GST authorities has emerged as a matter of serious concern for compliant taxpayers across the country. While the identification of fraudulent entities is an essential component of tax administration, recent enforcement trends indicate that the NGTP tag is often being treated as conclusive evidence against recipients who have transacted with such suppliers, leading to unnecessary litigation and hardship for genuine businesses.

It is a growing practice where authorities initiate proceedings under Rule 86A of the CGST/KGST Rules or issue intimations under Section 74 solely on the basis of an NGTP classification. In several instances, bona fide recipients have been subjected to scrutiny despite possessing valid tax invoices, proof of payment, records of receipt of goods or services, and reflection of transactions in GSTR-2B. Such actions raise concerns regarding the substitution of evidence-based adjudication with automated risk indicators and backend intelligence reports.

A particularly concerning aspect of the present enforcement framework is the initiation of multiple proceedings by different authorities based on the very same set of transactions. In several instances, taxpayers are compelled to defend Rule 86A proceedings concerning the blocking of electronic credit ledger balances while simultaneously facing adjudication under Section 74 of the CGST Act, both founded on identical allegations and evidence. Such parallel proceedings result in duplication of efforts, significantly increase compliance and litigation costs, and impose an avoidable administrative burden on businesses. More importantly, they create uncertainty, expose taxpayers to the risk of inconsistent findings by different authorities, and undermine the principles of fairness, efficiency, and certainty that are fundamental to a sound tax administration system.

It is further emphasized that Rule 86A is a preventive provision and cannot be invoked mechanically. The Rule requires the competent authority to possess “reasons to believe,” supported by tangible material and recorded in writing, before restricting the utilization of Input Tax Credit (ITC). Mere reliance on an NGTP report or a departmental label cannot satisfy this statutory requirement.

Significantly, recent judicial pronouncements have further strengthened the legal safeguards available to bona fide taxpayers claiming Input Tax Credit (ITC). Courts have consistently held that a genuine recipient cannot be denied ITC merely because the supplier subsequently defaults in payment of tax, fails to comply with statutory obligations, or becomes the subject of departmental proceedings. Such denial is justified only where the tax authorities establish, through credible and convincing evidence, that the recipient was a party to fraud, collusion, wilful misstatement, or non-genuine transactions. The burden of proving the ineligibility of ITC squarely rests on the department and cannot be shifted to an honest purchaser.

There is also need to draw attention to cases involving incorrect quantification of tax demands and the use of retrospective cancellation of supplier registrations as grounds for denying ITC. Such actions, when unsupported by proper verification, undermine taxpayer confidence and weaken trust in the GST framework.

Risk-based analytics and technological tools can aid tax administration, but they cannot replace statutory procedures, documentary evidence, and principles of natural justice. Effective enforcement should focus on genuine defaulters while safeguarding compliant taxpayers who have acted in good faith and fulfilled all legal requirements. A balanced and evidence-based approach is essential to preserve both revenue interests and taxpayer confidence in the GST regime.

Expression of journey of life through

COMMERCIAL TAX DEPARTMENT

by Addl. CCT's

Sri. S.R. Thulasidas, Addl. CCT

Sri. Cheluvegowda, Addl. CCT

Sri. Shivaprakash, Addl. CCT

Sri. K.S. Basavaraju, Addl. CCT

Sri Mirza Azhmathulla, Addl. CCT

Mis. C. Pushpalatha, Addl. CCT

Memoirs of the felicitation programme

ON RETIREMENT OF

SENIOR OFFICERS OF THE C.T.D.

Sri. Cheluvegowda, Addl. CCT

Sri. S.R. Thulasidas, Addl. CCT

Sri. Shivaprakash, Addl. CCT

Sri Mirza Azhmathulla, Addl. CCT

Sri. K.S. Basavaraju, Addl. CCT

Mis. C. Pushpalatha, Addl. CCT

Sri. Narayana C.S, JCCT

Sri. Shivappa, JCCT

Extension of last date for filing appeals before **GSTAT**

In a significant relief for taxpayers,the Central Government has extended the last date for filing appeals before the Goods and Services Tax Appellate Tribunal (GSTAT) to 31 July 2026.

The extension has been granted in response to representations received from stake holders regarding technical difficulties caused by the heavy rush of appeal filings on the GSTAT portal.

The extension has been notified under Section112(1) read with Section 112(3) of the CGST Act. Earlier, vide notification dated 17 September 2025, the Government had prescribed 30 June 2026 as the last date for filing appeals before the GST AppellateTribunal.

However, considering the unprecedented surge infilings during the final days,the Government has now extended the deadline by one month.

The following officers retired in the Month of June 2026:

S. Mirza Azmathulla, Addl. CCT
K.S. Basavaraj, Addl. CCT
Shivaprakash S.N., Addl. CCT
S.N. Shivappa, JCCT

Geetha Karunnakar Babu, DCCT
Shashidhar M.B., ACCT
Suresh G. Khannapura, ACCT
Suresh R., ACCT


Happy
Birthday
GST
GST
Since
1st July 2017
One Nation
One Tax
Stronger
Tomorrow
Boosting
Growth
Easy
Compliance
Building Stronger Tomorrow