GST NEWSLETTER

COMMERCIAL TAX DEPARTMENT, GOVERNMENT OF KARNATAKA

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Editor

FROM THE DESK OF EDITOR

India's GST revenue performance in July 2026 once again demonstrated the resilience of economic activity and the steady strengthening of compliance under the GST regime. Gross GST collections registered an impressive year-on-year growth of 15.4%, crossing 2.11 lakh crore. The buoyant revenue performance was supported by resilient domestic consumption, increased imports and improved tax compliance. The enhanced refunds during the period also contributed towards improving business liquidity and facilitating exports. Karnataka continued to make a significant contribution to this national performance, recording GST collections of 8,214.21 crore, KST collections of 2,664.20 crore and Professional Tax collections of 112.43 crore, aggregating to 10,990.84 crore. This encouraging performance reflects the collective efforts of tax administrators, taxpayers and other stakeholders towards strengthening compliance, effective revenue mobilisation and the continued development of a robust GST ecosystem.

The month also witnessed the celebration of the 80th Independence Day on 15th August 2026. On this solemn and significant occasion, the Commissioner of Commercial Taxes, Sri Vipul Bansal, hoisted the National Flag with pride and reverence. The occasion served as a reminder of the supreme sacrifices, courage and unwavering dedication of the freedom fighters and national leaders who secured the freedom that we cherish today. Addressing the officers and staff, he called upon them to honour this legacy by discharging their responsibilities with integrity, commitment, discipline and excellence. He emphasised that the knowledge, skills, manpower and resources available within the Department must be utilised positively and effectively for the development of the State and the nation. Every officer and employee, through sincere public service, professionalism and collective endeavour, has an important role in contributing towards a stronger, prosperous, self-reliant and progressive Karnataka and India.

The present issue of the GST Newsletter brings together a valuable compilation of important judgments, legal developments and policy updates from various Hon'ble High Courts and the Hon'ble Supreme Court on contemporary issues relating to GST. The articles cover a wide range of subjects, including GST on university affiliation fees, e-way bill enhancements, GST revenue trends, principles of natural justice, recovery from directors of companies in liquidation, compensation cess, limitation of proceedings, cases concerning deceased taxpayers, GST refunds, ITC reversal, industrial leasehold rights, group ITC, detention and penalty, construction activities, RTI and GST enforcement. By presenting these developments in a concise and accessible manner, the Newsletter seeks to facilitate greater awareness and understanding of evolving judicial interpretations and emerging legal positions, thereby assisting officers and stakeholders in the effective administration and implementation of GST.

The Newsletter is intended not merely as a repository of information, but as a platform for knowledge-sharing, professional enrichment and exchange of ideas. The continued success and relevance of this publication depend upon the active participation of all stakeholders. We once again encourage officers, tax professionals and other stakeholders to contribute their valuable insights, experiences, achievements, innovative practices and informed perspectives. Their collective wisdom will enrich the quality and content of the Newsletter and help make it more professional, informative, practical and knowledge-oriented. With continued collaboration and meaningful contributions from all concerned, the GST Newsletter can evolve further as a useful platform for learning, sharing best practices and strengthening the collective understanding of the GST regime.

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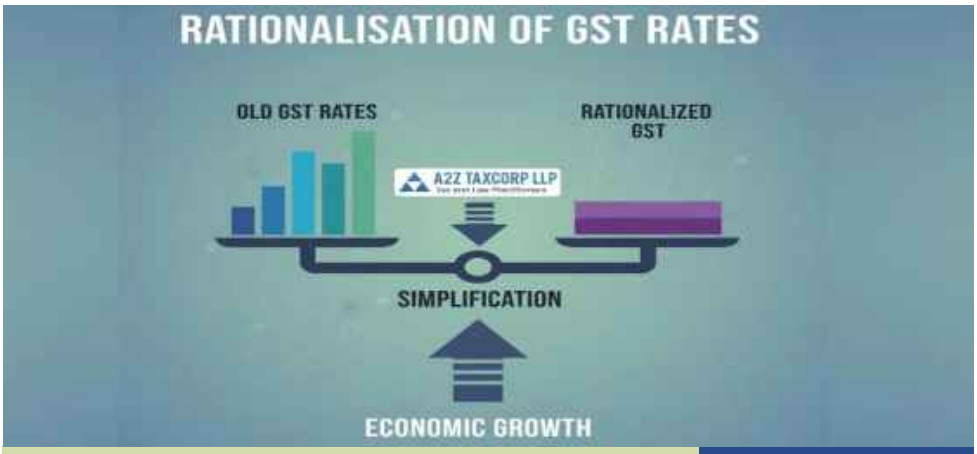
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GST Rate Rationalisation Slows Tax Revenue Growth, While Fiscal Deficit Remains Under Control

K.S. Basavaraju,
Addl. CCT (Retd.)

The Central Government's fiscal position remained largely on track during the first quarter (April–June) of FY 2026–27, with the fiscal deficit standing at around 18% of the full-year budget estimate. However, the latest data released by the Controller General of Accounts (CGA) indicates that the pace of tax revenue growth has moderated, primarily due to the impact of GST rate rationalisation and the removal of certain GST cesses. Despite this slowdown, the Government has continued to maintain strong capital expenditure, reflecting its commitment to infrastructure-led economic growth.

During the first quarter, gross tax revenue increased by 3.7% to approximately 9.01 lakh crore, compared to 8.69 lakh crore during the corresponding period of the previous financial year. Although tax collections continued to rise, the growth rate was lower than the 4.6% recorded in the same period last year. The moderation has been attributed mainly to GST rate reductions implemented to ease the tax burden on consumers and businesses.

Among direct taxes, net income tax collections grew by 6.8% to 3.05 lakh crore, while corporation tax collections registered a robust growth of nearly 20%, reaching 2.07 lakh crore. Securities Transaction Tax (STT) collections also recorded an impressive 45% increaseto 18,856 crore, reflecting strong activity in capital markets. Meanwhile, higher international prices of crude oil and commodities boosted customs duty collections by 36% to 57,741 crore during the quarter.

On the indirect tax front, however, the impact of GST rationalisation became evident. While Central GST (CGST)collections increased by about 17% to over 2.7 lakh crore, the reduction in GST rates and the withdrawal of cesses moderated the overall growth in indirect tax revenues. The Government's policy objective behind these reforms is to simplify the GST structure, improve compliance, and reduce the tax burden on essential goods and services, even though such measures may temporarily affect revenue growth.

On the expenditure side, the Government continued to prioritise capital investment. Capital expenditure (Capex) increased by 23.7% to 3.40 lakh crore, a significant rise aimed at supporting infrastructure development and long-term economic expansion. Although this growth is lower than the extraordinary 52% increase witnessed in the first quarter of the previous financial year, it remains a strong indicator of the Government's investment-led growth strategy.

The increase in capital spending was driven largely by higher allocations to the Food and Public Distribution Department, Indian Railways, andport infrastructure. Railway capital expenditure alone is estimated to have risen by 31% to approximately 97,706 crore, while investment in roads and traditional power infrastructure remained substantial.

Revenue expenditure also rose by 7.4% to about 10.17 lakh crore. Subsidy spending increased sharply during the quarter, with fertiliser subsidy rising by 61% to nearly 65,000 crore. LPG subsidy also witnessed a substantial increase, rising from 314 crore in the corresponding quarter of the previous year to 7,861 crore, reflecting higher government support amid volatile global energy prices.

Economists have cautioned that renewed geopolitical tensions in West Asia could prolong volatility in global energy markets and disrupt the supply of critical inputs, particularly for fertiliser production. Such developments may place additional pressure on government finances in the coming months. Nevertheless, with the fiscal deficit contained at only 18% of the annual target after the first quarter and continued emphasis on productive capital expenditure, the Government's fiscal management remains broadly on course, balancing growth, welfare, and fiscal discipline while navigating the revenue implications of GST reforms.

Rajasthan High Court Holds GST on University Affiliation Fees Unsustainable



The Rajasthan High Court, Jaipur Bench, in D.B. Civil Writ Petition No. 12943/2026, involving Principal, Dayanand College, Ajmer v. Union of India & Others, has reaffirmed that GST cannot be levied on affiliation fees charged by a university to affiliated educational institutions. The judgment was delivered on 22 July 2026 by a Division Bench comprising Justice ArunMonga and Justice Ashutosh Kumar.

The dispute arose when the petitioner college was directed to deposit GST on affiliation fees as a pre-condition for renewal of its affiliation for the academic session 2025–2026. The petitioner challenged the levy, contending that affiliation does not constitute a taxable service under the CGST Act. The parties informed the Court that the issue had already been settled by the Rajasthan High Court in its earlier judgment dated 23 February 2026 in Rajasthan Technical University v. Union of India.

In the earlier judgment, the Court examined whether grant of affiliation constitutes a "supply of service" under Section 7 of the CGST Act. It held that affiliation is a statutory and regulatory function performed by a university in furtherance of its core mandate of imparting education through affiliated colleges. Since such a function cannot be equated with trade, commerce or a commercial activity, the grant of affiliation does not constitute a "supply of service".

The Court also considered whether affiliation fees could be regarded as "consideration". It observed that affiliation is compulsory for colleges and does not involve bargaining, choice or reciprocity. Consequently, the affiliation fee is essentially a statutory levy rather than consideration for a negotiated service. In the absence of the necessary element of quid pro quo, the Court concluded that affiliation fees do not constitute consideration for a taxable supply.

Importantly, the Court provided an alternative basis for exemption. Even assuming that affiliation could be regarded as a service, it is intrinsically connected with curriculum approval, student admissions, examinations and conferment of degrees. The Court therefore held that such services fall within the scope of the educational exemptions under Entry 66 of Notification No. 12/2017-Central Tax (Rate). It further observed that levying GST on affiliation fees would effectively result in indirect taxation of education.

The judgment also drew an analogy with Central and State Educational Boards. Referring to Revenue Notification No. 14/2018 dated 26 July 2018, the Court noted that educational boards were treated as educational institutions for specified examination-related services. It held that denying universities similar treatment, when they perform examination functions for students of affiliated colleges, would be arbitrary and discriminatory.

Accordingly, the Rajasthan High Court held that affiliation fees are not consideration for any taxable activity and that the levy and collection of GST on such fees is illegal and unsustainable. The present writ petition was disposed of in terms of the earlier judgment.

> **The ruling provides significant relief to educational institutions by confirming that statutory affiliation fees charged in the educational framework cannot ordinarily be subjected to GST. It also reinforces the principle that statutory educational functions should not be treated as commercial supplies merely because a fee is collected for performing them.**



GSTN Defers E-Way Bill Enhancements: Industry Gets More Time to Prepare

M.D. Suma
JCCT

The Goods and Services Tax Network (GSTN) has decided to postpone the implementation of the proposed enhancements to the e-way bill system that were scheduled to take effect from 1 August. The decision comes after extensive feedback from industry stakeholders who expressed concerns regarding the technological readiness of businesses and the operational challenges associated with the proposed changes. By putting the rollout on hold, GSTN has acknowledged the need for wider consultation and additional preparation before introducing significant compliance-related modifications.

An e-way bill is an electronic document generated for the movement of goods exceeding the prescribed value under the GST regime. It serves as a critical compliance tool to monitor the transportation of goods and prevent tax evasion. Over the years, GSTN has introduced several technological improvements to strengthen the e-way bill ecosystem. However, the latest set of proposed enhancements attracted considerable attention due to their potential impact on business processes.

The key proposal required businesses tomandatorily disclose the GST Identification Number (GSTIN) of the final recipient in cases where the invoicing party and the actual delivery location differ. Such situations commonly arise in Bill-to/Ship-to transactions, where goods are billed to one entity but delivered either to another party or to a different location of the same entity. Additionally, GSTN had proposed a facility allowing taxpayers to voluntarily close an e-way bill after successful delivery of goods.

Following industry representations, GSTN issued an advisory informing taxpayers that they need not make any system changesbased on the earlier advisories. It also clarified that all previous advisories and FAQs relating to the proposed enhancements would be withdrawn from the GST portal until further notice. Businesses have been advised to await fresh communication before undertaking any modifications to their ERP systems or compliance procedures.

The deferment has been widely welcomed by trade and industry. The proposed changes would have required substantial modifications in enterprise resource planning (ERP) software, customer master databases, invoicing systems, logistics processes, and internal compliance controls. For organizations handling large volumes of Bill-to/Ship-to transactions, implementing these validations within a short timeframe would have involved extensive software development, testing, employee training, and coordination with vendors and logistics partners.

Tax experts have observed that GSTN's decision reflects a pragmatic approach towards balancing compliance objectives with business realities. The postponement provides businesses with valuable time to evaluate the operational implications of the proposed requirements while allowing GSTN to engage in broader consultations with industry stakeholders. This collaborative approach is expected to result in a more practical and efficient compliance framework.

The postponement of the proposed e-way bill enhancements is a welcome relief for businesses across sectors. While the proposed changes aim to improve transparency and strengthen GST compliance, their implementation requires adequate technological preparedness and process alignment. Until GSTN issues revised guidelines and a fresh implementation timeline, taxpayers can continue following the existing e-way bill procedures. Businesses should, however, monitor future GSTN advisories closely and begin assessing the potential impact of the proposed changes to ensure a smooth transition whenever the revised framework is introduced.



States' GST Growth at a Five-Year Low in FY26: A Reflection on India's Evolving GST Landscape

Meera Pandit
JCCT

The Goods and Services Tax (GST), introduced on 1 July 2017, marked one of the most significant indirect tax reforms in India by subsuming multiple Central and State taxes into a unified tax structure. During the initial years of implementation, State Governments witnessed robust growth in tax revenues, aided by the statutory compensation mechanism that assured a 14% annual revenue growth. This compensation, funded through the GST Compensation Cess, helped States smoothly transition into the new tax regime and minimized the risk of revenue losses.

However, the compensation period came to an end in June 2022, compelling States to rely solely on their own GST collections and economic activity. The impact of this transition has become increasingly visible in FY26, where GST revenue growth has reportedly fallen to its lowest level in the past five years.

The slowdown is primarily to tax rate rationalization and reductions implemented in recent years. While lower tax rates provide relief to consumers and support economic activity, they also compress the revenue base of State Governments. In addition, subdued consumption growth in certain sectors, changes in settlement patterns, and the absence of compensation support have contributed to slower revenue expansion.

There is improvements in tax buoyancy, indicating that GST has strengthened the responsiveness of tax collections to economic growth in several States. Maharashtra continues to exhibit the highest post-GST tax buoyancy, reflecting its strong industrial and commercial base. Karnataka, Uttar Pradesh, Tamil Nadu, and Andhra Pradesh have also shown better tax buoyancy compared to the pre-GST period, demonstrating that GST has enhanced tax efficiency despite recent moderation in revenue growth.

Another notable observation is the steady rise in the absolute tax collections of States after GST implementation. Although the year-on-year growth rate has softened, the overall tax base has continued to expand, suggesting that GST has contributed to improved compliance, broader taxpayer participation, and better digital administration. The increasing adoption of technology-driven compliance mechanisms, data analytics, e-invoicing, e-way bills, and return matching has significantly strengthened revenue administration across the country.

The current slowdown in GST collections should therefore be viewed in the broader context of a maturing GST ecosystem rather than being interpreted as a sign of structural weakness. As economic activity gathers momentum and further reforms in compliance, dispute resolution, and tax administration are introduced, GST revenues are expected to stabilize and regain a sustainable growth trajectory over the medium term. Continued efforts to widen the tax base, strengthen data-driven enforcement, minimize revenue leakages, promote voluntary compliance, and rationalize tax policies will remain critical to ensuring stable and predictable State revenues.

FY26 highlights the importance of balancing revenue mobilization with taxpayer-friendly reforms. With the compensation era ending, States have greater opportunities to strengthen GST revenues through improved compliance, technology-driven governance, data analytics, faster dispute resolution, and enhanced taxpayer engagement. Sustained economic growth, supported by transparent and efficient tax administration, can further expand GST's revenue potential. Going forward, the focus should remain on developing a resilient, broad-based, and efficient GST ecosystem that encourages economic growth, strengthens voluntary compliance, and ensures long-term fiscal sustainability for States while maintaining a taxpayer-centric approach.



Punjab & Haryana High Court: GST Demand Quashed for Denial of Effective Opportunity of Hearing

The Hon'ble Punjab and Haryana High Court has reiterated the importance of adhering to the principles of natural justice while adjudicating GST proceedings. In BalwinderSood and Sons v. State of Punjab and Others, CWP-20120-2026 (O&M) and connected CWP-20132-2026 (O&M), decided on 7 July 2026, the Court quashed the GST demand order on the ground that the assessee was not provided an effective and meaningful opportunity to respond to the show cause notice before the personal hearing was conducted.

The dispute arose from an order dated 7 August 2025 whereby a GST demand had been raised against the petitioner. The principal grievance before the Court was that the tax liability had been determined in violation of the principles of natural justice. The petitioner contended that the procedure adopted by the department deprived it of a reasonable opportunity to explain the discrepancies alleged in the show cause notice.

The undisputed facts were particularly significant. A show cause notice was issued on 30 June 2025, expressly providing that the petitioner could submit its reply and explain the discrepancies on or before 1 August 2025. However, before the expiry of this period, the department fixed 15 July 2025 as the date for personal hearing. The impugned order was thereafter passed. Thus, the personal hearing was scheduled even before the time granted to the assessee for filing its written reply had expired.

The petitioner argued that once the department had granted time up to 1 August 2025 for filing the reply, the opportunity of personal hearing ought to have been provided only thereafter. According to the petitioner, fixing the hearing on 15 July 2025 effectively denied it an opportunity to present its defence in a meaningful manner. Reliance was also placed upon the judgment of the Allahabad High Court in Swiftline Transport Solutions (P) Ltd. v. State of U.P.

The department, on the other hand, submitted that the law does not mandate that a date of hearing can be fixed only after submission of the reply. The High Court, however, was not persuaded by this contention. The Court emphasized that an opportunity of hearing granted to an assessee cannot be treated as an empty formality. For such an opportunity to be meaningful, the assessee must first have a reasonable opportunity to explain its position by submitting a reply to the show cause notice. Only thereafter can an oral hearing serve its intended purpose.

The Court accordingly held that granting an oral hearing before the expiry of the time allowed to the assessee for filing its reply was contrary to the principles of natural justice and amounted to a fundamental procedural irregularity. Since the impugned order had been passed without affording the assessee a reasonable and meaningful opportunity of being heard, the same could not be sustained in law.

Consequently, the High Court allowed the writ petitions and quashed the GST demand order dated 7 August 2025. However, the petitioner was granted liberty to file its reply to the show cause notice within two weeks. Thereafter, the respondents were directed to fix a date for personal hearing and, upon considering the reply and submissions, proceed to pass an appropriate, reasoned and speaking order strictly in accordance with law.

> The ruling reinforces that GST adjudication must provide a genuine and effective opportunity of defence. Where a reply period is specifically granted in a show cause notice, the assessee must be allowed to avail that opportunity before an oral hearing is treated as the basis for adjudication. Mere technical compliance with the concept of "personal hearing" is insufficient when the overall procedure deprives the taxpayer of a meaningful opportunity to present its case.
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> **Editor**



Gross GST Collections Rise Over 15% in July: Imports & Domestic Consumption Drive Revenue Growth

D.S. Prathibha Priyadharshini
Addl. CCT

India's Goods and Services Tax (GST) collections continued their impressive upward trajectory in July 2026, reflecting sustained economic resilience and a broad-based expansion in tax revenues. According to data released through the GST portal, the gross GST revenue for July crossed 2.11 lakh crore, registering a robust 15.4% year-on-year growth compared to the corresponding month of the previous year. Since GST collections in July represent taxes paid on goods and services consumed during June, the strong figures indicate healthy domestic demand coupled with rising import activity.

A significant contributor to this growth was the sharp increase in GST collected on imports, which surged by 28.8%, crossing 66,000 crore. The rise in import tax collections was supported by higher international commodity prices, increased freight costs, and greater import volumes. Simultaneously, domestic GST revenue also recorded a healthy growth of 10.1%, reaching approximately 1.45 lakh crore, reflecting resilient household consumption, improved industrial activity, and continued formalisation of businesses under the GST regime.

Despite higher revenue collections, the Government also maintained a healthy pace of refund processing. Domestic GST refunds increased by 7.3%, while export refunds registered a substantial growth of 22.7%, providing timely liquidity support to exporters and businesses. Even after accounting for refunds, net GST revenue stood at nearly 1.89 lakh crore, representing an increase of 15.8% over the previous year.

The growth in GST collections was not limited to a few regions but was spread across the country. Out of the 36 States and Union Territories, 28 reported positive GST revenue growth, demonstrating the expanding tax base and improving compliance. Major manufacturing and service-oriented States, including Maharashtra, Gujarat, Karnataka, and Telangana, recorded double-digit growth, indicating strong economic activity and improved tax administration.

Tax experts have observed that while the robust revenue performance is encouraging, the continued dependence on import-related GST collections warrants attention. Elevated import tax revenues suggest that domestic manufacturing still faces challenges in meeting the country's growing demand. Although flagship initiatives such as the Production Linked Incentive (PLI) SchemeandAtmanirbhar Bharat have strengthened manufacturing capacity over the years, experts believe that sustained policy support is necessary to reduce reliance on imported goods and further strengthen indigenous production.

Industry analysts have also attributed the healthy GST collections to global economic factors. Rising energy prices, supply chain disruptions in West Asia, and increased logistics costs have contributed to higher landed costs of imported goods, thereby boosting GST collections on imports. However, experts note that this is only one aspect of the overall growth story. The steady increase in domestic GST collections reflects resilient consumer spending, expanding business formalisation, and improved compliance mechanisms introduced under the GST framework.

The sustained growth in GST revenues provides a positive signal for public finances and strengthens the Government's ability to undertake developmental expenditure. It also reinforces confidence in the effectiveness of GST as a stable and efficient indirect tax system. If this momentum continues over the coming months, it is expected to provide a strong foundation for the next phase of GST reforms, focusing on further simplification, enhanced compliance, digital integration, and strengthening India's manufacturing ecosystem while sustaining economic growth.

Madras HC Upholds GST Recovery From Director Under Section 88(3)



The scope of recovery proceedings against directors of a company in liquidation.

The Madras High Court, in its common order dated 7 July 2026 in W.P. Nos. 3204 & 16529 of 2024 and W.P. No. 6074 of 2026, examined the scope of GST recovery proceedings against directors and connected entities of a company in liquidation. The Court considered the legality of bank-account attachments initiated under Section 79(1)(c) of the GST enactments through Form GST DRC-13 for recovery of tax dues of CBIGS Advertising Private Limited.

CBIGS Advertising Private Limited had outstanding GST liabilities relating to the tax period 2017-18 and was subsequently ordered to be wound up and liquidated by the NCLT on 29 October 2025. During the relevant tax period, Mrs. N. Seetha was a director of the company. The GST authorities proceeded to recover the outstanding dues by attaching her bank account and accounts of CBIGS Apparels and Jewels, a partnership firm in which she had also been a partner.

A significant issue before the Court was the liability of a director of a private company under Section 88(3) of the GST enactments. The provision stipulates that where a private company is wound up and tax, interest or penalty determined under GST cannot be recovered from the company, every person who was a director during the period for which the tax was due can be held jointly and severally liable. The protection available to such a director is to establish before the Commissioner that the non-recovery was not attributable to gross neglect, misfeasance or breach of duty in relation to the affairs of the company.

The Court found that Mrs.Seetha had served as a director of CBIGS Advertising Private Limited during the relevant period and therefore held that the company's tax, interest and penalty could be recovered from her. Since she was also a partner of CBIGS Apparels and Jewels, the Court further held that recovery proceedings against the partnership firm's bank account could not be interfered with. The Court clarified that the question whether the tax default was attributable to some other director had to be established before the competent authority under Section 88(3), rather than being conclusively decided in the writ proceedings.

The Court also examined the position of Yantur Manufacturing Private Limited. The company was incorporated in 2020, with Mrs.Preethika and Mr.Kandarp Pandya as promoters/directors, while Mrs.Seetha subsequently served as a director until March 2023. The Court noted the common involvement of family members across the defaulting company, partnership firm and newly incorporated company. It observed that there were prima facie indications that the positions of directors and partners had been exchanged among family members.

Importantly, the Court observed that the circumstances surrounding Yantur Manufacturing Private Limited warranted consideration of lifting the corporate veil. Although the company was an independent legal entity and independently liable to tax, the Court found sufficient circumstances to examine whether its incorporation had been intended to avoid payment of tax arrears.

Ultimately, the Madras High Court dismissed all three writ petitions without costs. However, the Court preserved the petitioners' liberty to substantiate their defence before the competent authority in accordance with Section 88(3).

The ruling underscores that liquidation of a private company does not automatically extinguish GST liabilities and that directors may face personal exposure where statutory conditions for recovery are satisfied.

Editor



GST Reforms to Strengthen States' Revenues: Revisiting the Compensation Cess Debate

K. N. Naveen
CTO

The recent GST reforms have reignited the debate on whether States stand to lose financially following the discontinuation of the GST Compensation Cess. In a detailed analysis by SoumyaKanti Ghosh, Member of the 16th Finance Commission and Group Chief Economic Adviser at SBI, it is argued that the revised GST framework is, in fact, beneficial for States in the long run. Contrary to apprehensions, the restructuring of compensation cess and excise duty is expected to result in a substantial net gain for State governments.

Under the previous GST regime, States received their share from SGST, a portion of CGST and IGST, along with the proceeds of the GST Compensation Cess. Following the GST Council's rate rationalisation, the Compensation Cess has been discontinued and the Additional Excise Duty (AED) has been merged into the Basic Excise Duty (BED), which is shared with States according to the Finance Commission's devolution formula.

A comparison of projected revenues for FY 2026 and FY 2027 indicates that the total GST collection is expected to increase significantly. Under the earlier arrangement, States' combined share of GST and excise revenues was estimated at around 17.63 lakh crore. Under the revised framework, the States' share is projected to rise to approximately 19.07 lakh crore, resulting in a net gain of nearly 1.44 lakh crore. This increase is driven primarily by higher GST collections and the sharing of the revised excise duty.

The States may lose around 21,000 crore due to the removal of the exclusive Compensation Cess proceeds. However, this loss is more than offset by the broader increase in GST revenues arising from tax rationalisation. The increase in GST rates on certain products from 28% to 40% contributes significantly to higher revenue collections, thereby improving the divisible tax pool available for distribution between the Centre and States.

Another important clarification relates to the purpose of the GST Compensation Cess. The cess was never intended to be a permanent source of revenue for States. It was introduced as a transitional mechanism to compensate States for revenue losses arising from the implementation of GST and was backed by the GST (Compensation to States) Act, 2017. Since GST revenues have stabilised and States are now witnessing sustained revenue growth, the rationale for continuing the compensation mechanism has largely ceased.

There was a concern regarding the introduction of the Health Security Cess under the National Security Cess Act, 2025. But this cess is a Central Government levy imposed for specific policy objectives and does not materially reduce States' revenues. Since cess collections remain outside the divisible pool, the new arrangement does not alter the constitutional framework governing tax devolution.

An equally significant observation is that States' GST revenues have consistently improved after the implementation of GST. Earlier, States recorded average annual revenue growth of around 8% from indirect taxes. Under the GST regime, post-compensation growth has reportedly increased to approximately 13%, indicating that the tax system has matured and become more productive.

Overall, the analysis concludes that GST reforms represent a positive fiscal development for both the Centre and the States. By broadening the tax base, rationalising tax rates, improving compliance, and strengthening revenue sharing through the Finance Commission mechanism, the revised framework is expected to reinforce cooperative federalism and promote a more sustainable, transparent, and efficient indirect tax system. The reforms also provide States with greater fiscal resilience by reducing dependence on temporary compensation mechanisms. Going forward, sustained economic growth, technology-driven compliance, effective tax administration, and taxpayer-friendly policies will be crucial in expanding the GST base and ensuring long-term revenue stability for States.



Calcutta High Court Clarifies GST Limitation: "Issue" of Order Is Distinct from "Service"

Calcutta High Court
WPA 8929 of 2025
dated 13 July 2026

The Calcutta High Court has delivered an important ruling on the interpretation of limitation under Section 73 of the CGST/WBGST Act, 2017, particularly concerning the distinction between the "issuance" and "service" of an adjudication order. The judgment, delivered by Justice Raja Basu Chowdhury, arose from a dispute involving the financial year 2018-19.

The petitioners challenged an order passed under Section 73(9), contending that although the order was digitally signed on 30 April 2024, it was uploaded on the GST portal in Form GST DRC-07 only on 1 May 2024. According to the petitioners, the extended limitation for passing the order for FY 2018-19 expired on 30 April 2024. Therefore, they argued that uploading the order one day later rendered the proceedings invalid.

The Court examined Section 73 in detail. Section 73(10) requires the proper officer to issue the order within the prescribed limitation period. In the present case, the statutory period for FY 2018-19 had been extended under Section 168A up to 30 April 2024. Since the order had been digitally signed on that date, the Court considered whether the subsequent uploading of the order on 1 May 2024 would invalidate it.

The Court drew a clear distinction between three stages: making of the order, issuance of the order and communication/service of the order. The Court observed that these stages have different legal functions. Issuance relates to the completion of the adjudicatory action within the prescribed limitation, whereas service concerns the manner in which the decision is communicated to the taxpayer.

Importantly, Section 169 provides several modes of service, including direct delivery, registered or speed post, email and making the communication available on the common portal. Therefore, uploading on the portal is one of the prescribed modes of service, but the statute does not make service within the limitation period a condition for the validity of an order issued within time.

The Court further noted that Section 73 uses the expression "issue", while Section 169 deals with "service". The legislature has deliberately used different expressions, and the Court held that they cannot automatically be treated as synonymous. The limitation under Section 73(10) consequently applies to the issuance of the order and not to its subsequent service.

Accordingly, the Court held that an order issued within the prescribed limitation period does not become void merely because it is uploaded or served thereafter. Since the impugned order was digitally signed and issued on 30 April 2024, its uploading on 1 May 2024 did not make it time-barred. The writ petition was therefore dismissed, with no order as to costs.

> For GST adjudication under Section 73, taxpayers and practitioners must distinguish between the date of issuance of an order and the date of its service. Where an order is issued within the statutory limitation period, a subsequent date of communication or portal upload, by itself, will not invalidate the order.
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> **Editor**



GST Panel Likely to Consider Group ITC Transfers and Relief on Intra-Group Corporate Guarantees

S.R. Thulasidas
Addl. CCT

In a significant development aimed at improving the ease of doing business under the Goods and Services Tax (GST) regime, a key committee of the GST Council is expected to examine industry proposals seeking the transfer of unutilised Input Tax Credit (ITC) within corporate groups. The panel is also likely to deliberate on granting relief from GST on intra-group corporate guarantees. These proposals are expected to be discussed in the upcoming meeting of the GST Council after being reviewed by the GST Fitment Committee.

At present, companies operating through multiple legal entities often face challenges in optimally utilising their accumulated GST credits. One entity within a corporate group may have excess ITC that remains unutilised, while another entity may simultaneously be required to discharge GST liabilities entirely in cash. Since the existing GST framework does not permit the transfer of ITC between separate registered persons, even where they share common ownership or a common Permanent Account Number (PAN), businesses experience avoidable cash flow constraints and inefficient working capital management.

Industry representatives have suggested introducing a mechanism that would allow the transfer of excess ITC between companies belonging to the same corporate group, subject to appropriate safeguards and regulatory conditions. Such a framework would enable businesses to make better use of available tax credits without affecting government revenue, as the credits would remain within the same economic group. It is expected that this reform would significantly improve liquidity, reduce unnecessary tax payments in cash, and simplify GST compliance.

Experts believe that the proposed mechanism would also help reduce litigation arising from disputes relating to credit accumulation and utilisation. By enabling businesses to optimise credit usage, the reform could strengthen cash flow, promote investment, and reduce compliance costs. The proposal is viewed as an important step towards making the GST system more business-friendly while maintaining adequate checks against misuse.

Another important issue likely to be considered is the industry's request to exempt intra-group corporate guarantees from GST. Following recent clarifications and valuation rules, GST has become applicable on corporate guarantees issued by one group company for the benefit of another related entity, even where no consideration is charged. Businesses have argued that such guarantees are routine treasury functions undertaken within a corporate group and do not represent independent commercial services warranting taxation.

Tax professionals have also suggested exploring international best practices, including the Canadian model, where closely related entities enjoy certain reliefs from GST on intra-group transactions. Another alternative being discussed is the creation of a credit-pooling mechanism that would allow related companies to utilise a common pool of GST credits for settling tax liabilities.

If approved by the GST Council, these measures could represent one of the most significant reforms for corporate taxpayers since the introduction of GST. By facilitating efficient utilisation of ITC and reducing the tax burden on internal corporate arrangements, the proposed changes have the potential to improve working capital, encourage investment, minimise disputes, and further strengthen India's objective of creating a simple, efficient, and business-oriented indirect tax regime. Businesses across sectors will closely watch the Council's deliberations, as the outcome could substantially influence corporate tax planning and compliance strategies in the coming years.



Gujarat High Court Quashes GST Demand Issued Against Deceased Taxpayer

The Gujarat High Court has delivered an important ruling concerning GST proceedings initiated against a taxpayer who had already passed away. In ShahedabegumIrshadahmed Chaudhary v. State of Gujarat &Anr., Special Civil Application No. 10294 of 2026, decided on 28 July 2026, the Court quashed a GST notice and consequential demand order issued in the name of a deceased proprietor.

The case arose from the business of Ideal Steel Corporation, a proprietorship engaged in trading metal scrap and registered under GST. The proprietor, Shri Irshadahmed Chaudhary, passed away on 29 July 2020 after prolonged illness. The GST registration of the proprietorship was subsequently cancelled by the authorities on 3 March 2021, with nil demand being assessed at the time of cancellation. The business was not continued after his death.

Despite the proprietor's death, the department subsequently initiated proceedings relating to Financial Year 2018-19. A pre-show-cause notice intimation in FORM DRC-01A was issued on 24 June 2025, proposing a tax liability of ₹21,49,414 along with interest and penalty. This was followed by a notice under Section 74(1) of the Gujarat Goods and Services Tax Act, 2017, dated 26 June 2025. Since these proceedings were issued in the name of the deceased taxpayer, the legal heir was unaware of them and no response was filed. The department thereafter passed an order in FORM DRC-07 on 4 December 2025, confirming the proposed demand.

The legal heir, being the deceased proprietor's wife, approached the High Court challenging the proceedings. It was argued that Section 74(1) of the GGST Act permits the proper officer to serve notice upon the "person chargeable with tax". The petitioner further relied upon the definition of "person" under Section 2(84), which includes an individual in the case of a proprietorship concern, but does not itself make the legal heir the same person as the deceased proprietor. Since the taxpayer had died nearly five years before the issuance of the impugned notice, it was contended that the proceedings were without jurisdiction and constituted a nullity in law.

The State authorities did not dispute the crucial factual position that both the notice and order had been issued against a dead person. The High Court therefore found that the proceedings could not legally stand. The Court noted that the petitioner was a housewife and was not connected with her husband's business. It also took note of the fact that the GST registration had already been cancelled in 2021.

Accordingly, the Gujarat High Court quashed and set aside the notice dated 26 June 2025 and the order dated 4 December 2025. Importantly, however, the Court clarified that the department was not barred from initiating proper proceedings in accordance with law against the legal heir. Thus, the judgment does not extinguish a legally sustainable tax liability; rather, it invalidates proceedings initiated against a person who was no longer alive.

The ruling serves as an important reminder for GST authorities to verify the legal status of taxpayers before initiating adjudication proceedings. For legal heirs, it also highlights the importance of promptly informing the department about the taxpayer's death and producing supporting documentation. The judgment reinforces the fundamental requirement that statutory proceedings must be directed against the legally appropriate person and undertaken in accordance with the procedure prescribed under the GST law.



Route Deviation Alone Does Not Justify GST Detention or Penalty

T.R Krishna Kumar
Addl. CCT

A significant principle concerning the movement of goods under GST is that mere deviation from the usual or expected transportation route cannot, by itself, justify detention of goods or imposition of tax and penalty, provided the relevant documents are genuine and there is no credible evidence of tax evasion. The legal position discussed in the supplied material distinguishes between the statutory requirement to furnish correct transportation particulars and any supposed obligation to follow a particular road route.

Under Section 68 of the CGST Act and Rules 138 and 138A, the GST framework requires prescribed documents and information during transportation. The e-way bill contains important particulars such as supplier and recipient details, invoice information, value of goods, vehicle number, transporter details, place of delivery and approximate distance. However, the e-way bill is not ordinarily a government-approved route map requiring the vehicle to travel only on one specified road.

The issue assumes importance because vehicles may legitimately take alternative routes due to traffic congestion, road construction, flooding, accidents, police diversions, vehicle breakdowns, safety considerations, heavy-vehicle restrictions or other operational reasons. Therefore, a longer or circuitous route does not automatically establish clandestine sale, unlawful diversion or tax evasion.

The Allahabad High Court, in M/s Vishal Steel Supplier v. State of U.P., Writ Tax No. 741 of 2020, recognised that GST law does not require disclosure or compulsory adherence to a particular transportation route. The Court held that detention cannot be founded merely on the vehicle being found on a different route unless the documents are false or there is other material indicating tax evasion.

Similarly, in Exide Industries Ltd. v. Additional Commissioner, Grade-II (Appeal)-1, decided on 9 July 2024, the Allahabad High Court considered detention and penalty arising from route deviation. The material states that a different, longer or circuitous route is not by itself a contravention or proof of tax evasion where the invoice and e-way bill are valid.

The Karnataka High Court, in The Joint Commissioner of Commercial Taxes (Appeals)-3, Bengaluru v. M/s Transways India Transport, Writ Appeal No. 854 of 2022 (T-RES), decided on 24 June 2024, also held that there is no specific legal mandate requiring a transporter to follow one compulsory route. A circuitous route, where the destination remains unchanged, cannot alone justify tax and penalty.

Importantly, these rulings do not provide immunity from inspection. Route deviation may become relevant when supported by other evidence, such as unauthorised unloading, a changed destination, fake invoices, incorrect vehicle particulars, mismatched goods, an undisclosed warehouse, or evidence of an unreported sale. In such circumstances, route deviation may constitute corroborative evidence rather than the sole basis for action.

For taxpayers and transporters, maintaining proper documentation remains crucial. Valid invoices, accurate e-way bills, correct vehicle details, transporter records, delivery instructions, GPS information, toll records and evidence of genuine route diversions can substantially assist in responding to detention proceedings. The supplied material also advises taxpayers to request the precise legal ground for detention and submit a written explanation supported by documentary evidence.

> The GST compliance is based on accurate statutory documentation and genuine movement of goods, not on an officer's personal assessment of the "correct" road route. Where goods are properly documented, the declared destination remains unchanged and there is no evidence of evasion, mere route deviation should not become the basis for coercive detention, seizure or penalty.
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> **Editor**



GST REFUND APPLICATION CAN BE FILED MANUALLY INSTEAD OF ELECTRONICALLY

Online GST Refund Application cannot be rejected merely because manual Copy was Filed Later

Kerala High Court,
W.P. 7284 of 202
10th July 2026

The Kerala High Court, in MSD Pharmaceuticals Pvt. Ltd. v. Assistant Commissioner, State Tax Special Circle III & Others, W.P.(C) No. 7284 of 2023, decided on 10 July 2026, addressed an important issue concerning the validity of a GST refund application filed electronically within the statutory limitation period, where the corresponding manual application was submitted later. The judgment was delivered by Hon'ble Justice Harisankar V. Menon.

The petitioner, MSD Pharmaceuticals Pvt. Ltd., had sought a refund under Section 54 of the Central Goods and Services Tax Act, 2017. According to the petitioner, the refund application was filed online on 12 February 2019, as evidenced by the acknowledgement receipt/ARN. The statutory limitation applicable to the refund claim was two years. However, the department rejected the refund application on the ground that the petitioner had submitted the hard copy of the application only on 14 November 2019, which was allegedly beyond the prescribed period.

The petitioner challenged the rejection. Although an appeal under Section 107 of the CGST Act was also dismissed, the petitioner contended before the High Court that the appellate authority had failed to consider the specific contention that the refund application had already been filed online within the prescribed period. The petitioner also pointed out that the appellate order was non-speaking in this respect.

A central issue before the Court was the interpretation of Rule 97A of the CGST Rules, 2017, which permits manual filing and processing. The department relied upon the subsequent manual filing to contend that the refund application was time-barred. The Court, however, examined the wording of Rule 97A and observed that the rule merely provides that manual filing can also be adopted for processes or procedures prescribed under the Rules. The use of the word “include” in Rule 97A was considered significant.

The High Court held that merely because the petitioner submitted a manual refund application on 14 November 2019, the refund claim could not be rejected when an online application had admittedly been acknowledged on 12 February 2019. The Court categorically observed that rejection on this basis was illegal and arbitrary and that the refund application ought to have been considered with reference to the online application filed within the prescribed period.

Consequently, the High Court allowed the writ petition and set aside the impugned order rejecting the refund claim. The first respondent was directed to reconsider and process the petitioner's refund application strictly in accordance with law, after duly examining the relevant records and applicable provisions. The Court further directed that the matter be disposed of as expeditiously as possible and, in any event, within three months from the date of receipt of a copy of the judgment.

The judgment reinforces the importance of recognizing a valid online GST filing for determining compliance with statutory timelines. A subsequent manual submission, particularly where manual filing is permitted under Rule 97A, cannot by itself invalidate an electronically filed refund application that was submitted and acknowledged within the prescribed limitation period. The ruling provides significant relief to taxpayers facing refund disputes arising merely from differences between electronic and manual filing dates.

Editor



GST & Income Tax for Small Builders: Why every construction activity is not an 18% works contract

Md. Rafi Pasha
DCCT

The taxation of small residential builders continues to be a subject of widespread misunderstanding, particularly under the GST regime. A common misconception is that every construction activity automatically attracts 18% GST as a works contract. However, the legal position is significantly different. The correct tax treatment depends on the nature of the business, the role of the builder, and the timing of the sale of the property.

Many small builders acquire vacant land, construct residential buildings on their own account, and sell completed or under-construction units. Such businesses are generally treated as promoters or developers, rather than works contractors. This distinction is crucial because GST rates applicable to promoters differ substantially from those applicable to contractors providing services to another developer.

Under the present GST framework, under-construction residential apartments sold by a promoter attract GST at 1% (affordable housing) or 5% (other residential apartments) without the benefit of Input Tax Credit (ITC). In contrast, the 18% GST rate primarily applies to works contract services provided by contractors or subcontractors to promoters. Further, residential properties sold after obtaining the completion certificate or after first occupation are generally treated as the sale of immovable property and fall outside the scope of GST.

The timing of the sale therefore becomes a decisive factor. In the same project, units sold before completion may be liable to GST, whereas units sold after completion may not attract GST at all. Builders must therefore maintain accurate project-wise records to establish the taxability of each transaction.

On the income-tax front, it is reiterated that repeated construction and sale of residential properties constitute a business activity. Consequently, income is taxable under the head "Profits and Gains of Business or Profession" and not merely based on total bank deposits or gross sale proceeds. Taxable income must be computed after considering land cost, construction expenses, labour charges, professional fees, finance costs, administrative expenses, and the valuation of work-in-progress (WIP) and unsold inventory.

There are lot of benefits available under the new income-tax regime effective from Financial Year 2025–26. Under this regime, resident individuals may be eligible to claim a rebate under Section 87A of the Income-tax Act, subject to the prescribed conditions, where the taxable income does not exceed 12 lakh. It is important to note that eligibility for this rebate is determined only after computing the correct taxable income, including the accurate determination of business or professional profits in accordance with the provisions of the Act. The rebate cannot be claimed merely on the basis of gross receipts, turnover, or presumptive income thresholds without first arriving at the actual taxable income through the prescribed method of computation.

For effective compliance, builders should maintain robust documentation, including project-wise accounts, land records, approvals, buyer agreements, vendor invoices, GST returns, stock registers, and reconciliations between books of accounts, GST filings, and bank transactions.

> Small residential builders should avoid the assumption that every construction project attracts 18% GST. Proper classification as a promoter or contractor, careful evaluation of the timing of sales, accurate computation of business income, and meticulous record-keeping are the cornerstones of seamless GST and income-tax compliance.
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> **Editor**



Orissa High Court: ITC Already Reversed Cannot Be Demanded Again; No Interest Where Credit Ledger Had Sufficient Balance

In a significant ruling concerning the availment and reversal of Input Tax Credit (ITC) under the Goods and Services Tax law, the Orissa High Court has held that a taxpayer cannot be subjected to a fresh demand of ITC that had already been voluntarily reversed before initiation of proceedings. The Court further held that where sufficient balance was available in the Electronic Credit Ledger, interest under Section 50 of the CGST Act would not be payable. The judgment was delivered on 8 April 2026 in W.P.(C) Nos. 12682 and 12686 of 2025.

The petitions arose from proceedings initiated against the petitioners in relation to ITC allegedly availed on invoices issued by M/s. Auxesia Traders, Kolkata, which was alleged to be a non-existent or bogus entity. The disputed ITC was approximately 4.40 lakh. Following a communication from the GST authorities, the petitioners voluntarily reversed the disputed ITC through their GSTR-3B returns. They contended that the reversal had been made before the initiation of proceedings and that the Electronic Credit Ledger contained sufficient balance. Consequently, according to the petitioners, there was no utilisation of the disputed ITC and therefore no liability to pay interest under Section 50.

Despite the voluntary reversal, the department initiated proceedings under Section 74 of the CGST Act and subsequently passed an Order-in-Original demanding the same amount of ITC, along with interest and penalty. The petitioners challenged the proceedings on the ground that Section 74 could not be mechanically invoked merely on the basis of an alert received from the Directorate General of Goods and Services Tax Intelligence (DGGI). They argued that invocation of Section 74 requires specific material establishing fraud, wilful misstatement or suppression of facts with an intention to evade tax.

The High Court accepted the importance of independent examination by the adjudicating authority. It observed that merely because a supplier was subsequently found to be non-existent or involved in issuing allegedly bogus invoices, it could not automatically be presumed that the recipient had fraudulently availed ITC. The Court noted that an allegation against the supplier, including a third-party statement, does not by itself establish fraudulent conduct on the part of the recipient. The Court also observed that the Revenue had not adequately established that the recipient's transactions were fictitious or that the relevant e-way bills were absent.

On the issue of interest, the Court relied upon Section 50(3), Rule 88B of the CGST Rules and the clarification issued on 17 July 2023. It held that where sufficient balance remains in the Electronic Credit Ledger for adjustment of the wrongly availed ITC, interest is not chargeable merely because the credit had been availed. The Court emphasised the distinction between wrongful availment and wrongful utilisation of ITC for determining interest liability.

The Court also found that demanding 4,39,970 despite the same amount having already been voluntarily reversed would effectively result in double taxation. Since the net tax effect was zero, the corresponding penalty under Section 74 could not be sustained. The Court observed that imposing a penalty mechanically in such circumstances was legally unsustainable.

Ultimately, the Orissa High Court quashed the Order-in-Original dated 3 February 2025 and allowed both writ petitions. The ruling reinforces an important principle for GST proceedings: a supplier's default or subsequent identification as a bogus entity cannot, by itself, establish fraudulent availment of ITC by the recipient. Authorities must independently establish the recipient's involvement in fraud or tax evasion before invoking Section 74. Further, where ITC has already been reversed and sufficient credit balance existed, a fresh demand of the same amount, along with interest and penalty, cannot be mechanically imposed.



Supreme Court Rules No GST on Transfer of Industrial Leasehold Rights

Diary No. 33270/2025, dated 21 July 2026

In a landmark judgment providing significant relief to industries and taxpayers, the Supreme Court has ruled that the transfer of long-term leasehold rights in industrial plots allotted by the Gujarat Industrial Development Corporation (GIDC) is not liable to Goods and Services Tax (GST). The decision upholds the Gujarat High Court's January 2025 judgment and dismisses the Central Government's Special Leave Petitions (SLPs), thereby settling a long-standing dispute over the taxability of such transactions.

The controversy arose after the implementation of GST in 2017, when tax authorities began treating the transfer of leasehold rights in industrial plots as a taxable supply of services. In many instances, companies that transferred their leasehold rights—often after constructing factories or warehouses—received show cause notices demanding 18% GST on the lump-sum consideration received from the transferee. This resulted in substantial tax demands and prolonged litigation involving several industrial units.

The Gujarat High Court had earlier ruled in favour of taxpayers, holding that the complete transfer of long-term leasehold rights amounted to the transfer of an interest in immovable property rather than the provision of a service. Since transactions involving the sale or transfer of immovable property are covered under Schedule III of the CGST Act, 2017, they are treated as activities that are neither a supply of goods nor a supply of services, and therefore fall outside the scope of GST.

The Supreme Court has now affirmed this legal position by refusing to interfere with the High Court's findings. The Court also noted that it had dismissed a similar petition earlier, thereby reinforcing the view that GST cannot be levied on the transfer of long-term leasehold rights where the original lessee completely exits the transaction.

A significant factor supporting the taxpayers' case was that stamp duty is already payable on such transfers. Levying GST in addition to stamp duty would effectively result in double taxation, which the courts found inconsistent with the legislative intent of the GST framework. The judgment recognizes that a complete assignment of leasehold rights is essentially a transfer of an interest in land and not a commercial service.

The ruling is expected to provide immediate relief to numerous industries, particularly those operating in Gujarat's industrial estates under long-term lease arrangements. Taxpayers who have already paid GST under protest during investigations or pursuant to departmental proceedings may also explore the possibility of seeking refunds, subject to the applicable statutory provisions and limitation periods.

From a broader perspective, the judgment reinforces the distinction between transactions involving immovable property and taxable supplies of services under GST. While the decision specifically concerns transfers of GIDC leasehold rights, its underlying legal principles may have persuasive value in similar disputes involving long-term industrial leasehold rights in other states, although each case will depend on its own facts and the terms of the lease.

The Supreme Court's decision is a welcome development for businesses, bringing much-needed certainty to the tax treatment of industrial leasehold transfers. By reaffirming that the complete transfer of leasehold rights constitutes a transfer of an interest in immovable property rather than a taxable service, the judgment strengthens taxpayer confidence and reduces unnecessary litigation under the GST regime.



RTI: A Powerful Shield Against Unfair GST ITC Denials

Ramesh Kumar
Addl. CCT

The Goods and Services Tax (GST) regime places significant importance on Input Tax Credit (ITC), enabling businesses to reduce their tax burden by claiming credit on taxes paid on purchases. However, a growing challenge has emerged where bona fide taxpayers receive notices demanding reversal of ITC merely because their suppliers were later classified as Non-Genuine Taxpayers (NGTP) or had their GST registrations cancelled retrospectively. In many such cases, the tax authorities rely on undisclosed records, leaving buyers with little opportunity to defend themselves effectively.

A major concern is that GST notices, such as DRC-01A or Show Cause Notices, often allege that the supplier was "bogus" or "non-existent" without furnishing the supplier's cancellation order, the effective date of cancellation, or the reasons recorded by the Proper Officer. Genuine purchasers who have received goods, maintained proper invoices, generated e-way bills, accounted for purchases in their books, and made payments through banking channels are nevertheless asked to reverse ITC along with interest and penalty.

The Right to Information (RTI) Act, 2005, offers an effective legal remedy in such circumstances. Since GST authorities are public authorities under the RTI Act, taxpayers have the right to seek certified copies of official records, including the supplier's GST cancellation order (Form GST REG-19), the preceding show cause notice (Form GST REG-17), the effective date of cancellation, and the statutory grounds recorded under Section 29 of the CGST Act read with Rule 22 of the CGST Rules.

Obtaining these documents is crucial because they help establish whether the supplier's registration was cancelled prospectively or retrospectively. A retrospective cancellation passed long after genuine transactions cannot automatically invalidate purchases made when the supplier was an active registered taxpayer. Furthermore, the cancellation order may reveal that the registration was cancelled for reasons such as non-filing of returns rather than fraudulent activities, thereby weakening the department's allegation that the buyer knowingly dealt with a bogus supplier.

A carefully drafted RTI application should seek only existing records rather than explanations or opinions. Taxpayers may request copies of the cancellation order, the effective date, the date of the order, the grounds for cancellation, details of the authority issuing the order, and any available communication regarding the supplier's NGTP classification, subject to permissible disclosures under the RTI Act.

Even if the department raises objections citing third-party information or ongoing investigation, such refusals cannot be mechanical. The Public Information Officer must justify any denial under the specific exemptions provided in the RTI Act. Where information is denied without valid reasons, taxpayers have the statutory right to file a First Appeal under Section 19 of the RTI Act.

From a litigation perspective, RTI serves as a valuable strategic tool. It compels the department to disclose the precise documents relied upon, exposes inconsistencies between allegations and official records, and strengthens the taxpayer's argument that denial of relevant documents violates the principles of natural justice. Simultaneously, taxpayers should insist during GST proceedings that all relied-upon documents be furnished before any adverse action is taken.

As GST enforcement becomes increasingly data-driven, protecting the rights of genuine taxpayers is equally important. Transparent disclosure, adequate opportunity to respond, and reliance on proper statutory records are fundamental principles of fair administration. RTI empowers taxpayers to uphold these principles and ensures that tax liability is determined based on evidence rather than assumptions. For businesses facing ITC disputes arising from supplier cancellation or NGTP tagging, timely use of the RTI Act can prove to be a decisive step in securing a fair and lawful defence.



CBIC Strengthens Coordination with States to Curb GST Evasion in Illegal Mining

Shivakumar S Itagi
Addl. CCT

The Central Board of Indirect Taxes and Customs (CBIC) has instructed its field formations to establish structured coordination with State authorities for sharing information relating to illegal mining and transportation of minerals. The initiative seeks to strengthen GST compliance and identify instances of tax evasion arising from unreported or under-reported supplies of minerals. Timely exchange of information between Central GST formations, State mining authorities and tax administrations is expected to facilitate more effective enforcement and protect government revenue.

The move assumes significance as illegal mining activities may have direct GST implications, particularly where taxable supplies are suppressed, GST is not paid or is short-paid, or input tax credit is wrongly availed. Information relating to illegal mining, illegal transportation, seizure of minerals and vehicles, cancellation or suspension of mining leases, excess extraction of minerals and other violations detected under mining laws can provide important intelligence to GST authorities for examining the corresponding tax implications.

The proposed mechanism will facilitate cross-departmental data sharing between CGST formations, State mining authorities and tax administrations. Such information can be compared with e-way bills, e-invoices and GST returns to identify discrepancies between the quantity of minerals extracted or transported and the supplies reported by taxpayers. This data-driven approach can assist in detecting possible suppression of taxable turnover, non-payment or short-payment of GST, wrongful availment of input tax credit and other violations under the Central Goods and Services Tax Act, 2017.

The instruction has been issued following observations made by the Comptroller and Auditor General of India (C&AG) in its report on the assessment, levy and collection of GST on minerals. The audit report had highlighted that State mining authorities were detecting several instances of illegal mining, illegal transportation of minerals, seizure of minerals and vehicles, cancellation or suspension of mining leases and excess extraction. However, there was no structured mechanism for periodic sharing of such information with CGST field formations.

To ensure effective coordination, CBIC has directed all Principal Chief Commissioners and Chief Commissioners of CGST Zones to designate a nodal officer in each zone for coordination with the respective State Mining Department. A formal mechanism will also be established with State mining authorities for periodic sharing of information relating to illegal mining and transportation of minerals detected within their jurisdiction. This is expected to ensure that relevant intelligence reaches GST authorities in a timely and systematic manner.

Further, intelligence generated from the information received from State authorities will be disseminated to the jurisdictional Commissionerates and Directorate General of GST Intelligence (DGGI) formations, wherever necessary, for appropriate action. Periodic meetings with State mining authorities have also been prescribed to review the effectiveness of the information-sharing mechanism and address operational difficulties.

The initiative represents a significant step towards strengthening intelligence-led GST enforcement in the mineral sector. Systematic comparison of mining records with GST returns, e-way bills and e-invoices can enable authorities to identify potential tax leakages more efficiently and initiate appropriate action under GST law. The coordinated approach also highlights the growing importance of inter-departmental data sharing, technology-driven analysis and timely intelligence exchange in improving tax compliance and safeguarding government revenue.

S.R. Thulasidas, Addl. CCT -- Rajesh K.S, CTO

INTRODUCTION TO E-COMMERCE AND GST FRAMEWORK

E-commerce has become an integral part of modern life and one of the fastest-growing business models, enabling consumers to conveniently purchase goods and services conveniently through digital platforms. such as Amazon, Flipkart, Zomato, Swiggy, Ola, Uber, BigBasket, Blinkit, Zepto, Rapido, and Porter have transformed business by providing wider market access and efficient digital commerce, with Karnataka hosting more than 205 ECOs across various business models. The rapid expansion of e-commerce has made it essential to understand the GST provisions relating to ECOs, including registration, Section 9(5), TCS, invoicing, valuation, return filing, and compliance.

STATUTORY DEFINITIONS UNDER GST

As per Sections 2(44) and 2(45) of the CGST Act, 2017, E-commerce means the supply of goods or services through a digital or electronic network, and an Electronic Commerce Operator (ECO) means a person who owns, operates, or manages such a platform. Considering the pivotal role of ECOs in facilitating supplies, the GST law prescribes specific provisions relating to registration, Tax Collection at Source (TCS), compliance, and deemed supplier liability under Section 9(5).

REGISTRATION OF SUPPLIERS ON ECO PLATFORMS

Registered suppliers may supply goods or services through Electronic Commerce Operator (ECO) platforms after completing the prescribed onboarding and verification process. Eligible unregistered persons (URPs) may also onboard and supply through ECOs, subject to the GST threshold limits and other conditions notified under the GST law. Thus, ECO platforms enable both registered and eligible unregistered suppliers to access wider markets and conduct business through a digital marketplace.

Every Electronic Commerce Operator (ECO) required to collect Tax Collected at Source (TCS) under Section 52 shall obtain compulsory GST registration under Section 24(ix) of the CGST Act, 2017, irrespective of turnover. Suppliers making supplies through an ECO are generally governed by the registration provisions under Sections 22, 23 and 24 of the CGST Act, read with

Notification No. 65/2017-Central Tax dated 15.11.2017 exempts persons supplying services (other than services notified under Section 9(5)) through Electronic Commerce Operators (ECOs) from compulsory GST registration, subject to the prescribed aggregate turnover threshold under Section 22 of the CGST Act.

Notification No. 34/2023-Central Tax dated 31.07.2023 exempts eligible unregistered persons making supplies of goods through Electronic Commerce Operators (ECOs) from compulsory GST registration under Section 23(2), subject to prescribed threshold limits and specified conditions. The exemption is available only for intra-State supplies through a single State/UT after obtaining an enrolment number on the GST portal and became effective from 01.10.2023.

Notification No. 37/2023-Central Tax dated 04.08.2023 prescribes a special procedure for Electronic Commerce Operators (ECOs) facilitating supplies by exempted unregistered persons.

DIFFERENCE BETWEEN SECTION 52 AND SECTION 9(5)

Particulars	Section 52	Section 9(5)
Nature	TCS Collection	GST Liability
Taxpayer	Supplier	ECO
Return	GSTR -8	GSTR -3B
Tax burden	Supplier	ECO
Example	AMAZON, FLIPKART, MYNTRA DESIGNS supply	ZOMATO ,SWIGGY restaurant service and OLA and UBER passenger transportation service

BUSINESS MODEL ADOPTED BY E-COMMERCE OPERATORS

Electronic Commerce Operators operate through various business models depending upon the nature of supplies, ownership of goods, and contractual arrangements with suppliers and customers.

BUSINESS MODEL	SIMPLE MEANING	TCS U/S 52	WHO PAYS GST ON MAIN SUPPLY? TIME OF SUPPLY & ISSUE OF INVOICE	WHO PAYS GST ON ANCILLARY SERVICES?
MARKETPLACE MODEL: • Amazon • Flipkart • Myntra • Meesho	ECO only provides an online platform connecting buyers and sellers. Seller supplies the goods/services.	Yes	***Main Supply*** **:** Seller issues the tax invoice to the customer as per Sections 31 & 12/13 of the CGST Act. Time of supply is determined based on the seller's invoice/payment. ***Ancillary Services*** **:** ECO issues a separate GST invoice to the seller for commission and other services. Time of supply for ECO services is governed by Section 13 (earlier of invoice or payment, subject to invoice time limits).	ECO raises a separate GST invoice to the seller for commission, advertising, logistics and other B2B services.
INVENTORY MODEL: • Reliance • Digital • BigBasket • Blinkit	ECO owns the goods and sells them directly to customers.	No	***Main Supply*** : ECO issues the tax invoice directly to the customer. Time of supply is determined under Sections 12/13 based on invoice/payment. Inward Services: Vendors providing services to the ECO issue GST invoices to the ECO.	ECO bears GST on inward services (eligible for ITC) and charges GST on outward supplies.
AGGREGATOR MODEL: • Ola • Uber • Swiggy • Zomato	ECO connects service providers with customers through one platform.	No	GST payable either by ECO (for Section 9(5) services) or by the actual service provider.	Customer pays GST on platform/convenience fee (if charged to customer); Supplier pays GST on commission, advertising, technology and other B2B services invoiced by the ECO.
FACILITATOR MODEL: • MakeMyTrip • Goibibo • EaseMyTrip	ECO only facilitates booking, payment or reservation. Actual supplier provides the service.	Yes	Section 9(5) Services: ECO issues the tax invoice (or document as prescribed) to the customer and pays GST. Time of supply is determined under Section 13. Other Services: Actual supplier issues the invoice for the principal supply, while ECO separately invoices the supplier/customer for platform or commission charges, as applicable.	Customer pays GST on booking/convenience fee collected fro m customer; Supplier pays GST on advertising, lead generation and other B2B services invoiced by the ECO.
HYBRID MODEL: • Amazon • Flipkart	ECO performs multiple functions such as marketplace, logistics, warehousing and sometimes inventory.	Yes for (M M) & No for (IM)	Marketplace Transactions: Seller issues the invoice to the customer; ECO invoices the seller for commission/services. Inventory Transactions	Depends on the service recipient—Customer pays GST on platform/convenience fees; Supplier pays GST on commission and support services; ECO bears GST where it acts as the supplier (inventory model).

As clarified in CBIC Circular No. 194/06/2023-GST, the liability to collect TCS under Section 52 of the CGST Act, 2017 in ONDC transactions framework as explained below

TCS liability on ONDC transactions under Section 52 of the CGST Act, 2017 based on receipt of Circular No. 194/06/2023-			
SITUATION	**WHO PAYS SUPPLIER?**	**WHO COLLECTS TCS?**	**ILLUSTRATIVE EXAMPLE TO UNDERSTAND ONDC TRANSACTION**
Seller-side ECO is only a facilitator (not supplier)	Seller-side ECO	Seller-side ECO	
Seller-side ECO itself supplies goods/services	Buyer-side ECO pays supplier	Buyer-side ECO	Customer → Buyer App (Paytm) → XYZ Mart (Supplier & ECO)

TRANSPORTATION OF GOODS AND GTA STATUS IN E-COMMERCE

In e-commerce transactions, an ECO may facilitate logistics by connecting sellers with independent transport service providers. Such facilitation alone does not make the ECO a Goods Transport Agency (GTA) under GST.

An ECO qualifies as a GTA only if it undertakes transportation of goods by road and issues a consignment note. Where it merely provides a digital platform, logistics coordination, or technological support without issuing a consignment note, it is not treated as a GTA.

Accordingly, GST liability depends on the actual nature of the services provided, the contractual arrangement between the ECO and the logistics partner, and compliance with the statutory requirements for GTA services.

Analysis of State-wise GST Revenue – August 2026

State wise Comparison of GST Revenues for the month of August 2026 (SGST,CGST& IGST)

(Rupees in Crores)

Sl.No	Name of the State	2025-26	2026-27	Growth Rate in %
1	Maharashtra	26,746	28,779	8%
2	Karnataka	12,512	14,148	13%
3	Gujarat	10,482	12,047	15%
4	Tamil Nadu	10,329	10,189	-1%
5	Haryana	9,076	10,184	12%
6	Uttar Pradesh	7,647	9,092	19%
7	Delhi	5,639	6,216	10%
8	Telangana	4,612	5,343	16%
9	Odisha	4,207	3,895	-7%
10	Kerala	2,717	3,078	13%
	ALL INDIA	1,25,570	1,37,249	9%

The state-wise GST revenue data for August 2026 presents a broadly positive picture of indirect tax collections, with All-India revenue increasing from 1,25,570 crore in August 2025 to 1,37,249 crore in August 2026, representing a 9% year-on-year growth. The performance, however, is uneven across states, indicating differences in economic activity, consumption, tax compliance and the underlying tax base.

Karnataka has recorded a significant improvement, with GST revenue rising from 12,512 crore to 14,148 crore, an increase of 1,636 crore or 13%. Karnataka remains the second-highest contributor among the states shown, behind Maharashtra. Importantly, Karnataka's growth rate is four percentage points higher than the national average of 9%. Its incremental revenue of 1,636 crore represents approximately 14% of the total increase in revenue across India, highlighting Karnataka's substantial contribution to overall GST revenue growth.

The following officers retired in the Month of Aug 2026:

Shreevidya D., ACCT

Manjulakshi N., CTO

Ashok Kumar Shimbelle., CTO

80TH INDEPENDENCE DAY CELEBRATION AT CCT OFFICE









INDEPENDENCE DAY CELEBRATION @ Davanagere & Mysuru



