

GST NEWSLETTER

COMMERCIAL TAX DEPARTMENT, GOVERNMENT OF KARNATAKA

COMMERCIAL TAX OFFICES
GANDHINAGAR, BANGALORE - 560 009.

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From the desk of editor

"The overwhelming response received for the GST Newsletter for November 2025 has provided the much-needed motivation to pursue further improvements in both content and structure. This positive feedback has reinforced our commitment to enhance the newsletter's authenticity, analytical depth, and overall reliability by incorporating a wider range of judicial precedents, statutory provisions, and procedural clarifications. At the same time, a recurring query from several officers has been why a significant number of judicial pronouncements highlighted appear to be adverse to the Department. This concern calls for introspection and a closer examination of the quality, consistency, and legal soundness of the proceedings initiated under the Act.

It is therefore crucial for officers to adopt a more judicious and well-reasoned approach while passing orders. Speaking orders that clearly articulate the factual background, legal provisions involved, applicable rules, and the rationale behind conclusions are indispensable. Such orders not only withstand appellate scrutiny but also promote a deeper understanding of the statutory framework among stakeholders. Strengthening the quality of adjudication will naturally contribute to a more favourable judicial outcome for the Department in the long run.

In this edition, the newsletter presents a curated compilation of recent judicial decisions along with

detailed insights into revision proceedings across various subject areas. The issues covered include compulsory acquisition and the applicability of solatium, secondment of expatriate employees, blocking of Input Tax Credit, restoration of confiscation orders, classification concerns in export of services, erroneous cash refund cases, and the taxability of accommodation charges.

Additionally, the newsletter captures the key highlights and major developments in GST administration during November 2025. These updates serve as a ready reference for officers to stay informed about evolving practices, emerging legal interpretations, and changes in policy or procedure.

Strengthening awareness and promoting sound administrative practices is a collective responsibility. This process can gain substantial momentum through wider participation from officers across the State. All officers are encouraged to

actively contribute their insights, articles, case summaries, and updates from their respective divisions. Such collaborative involvement will enrich the content, enhance professional learning, and collectively raise the standards of GST administration."

Hon'ble
C M SIDDARAMAIAH

voiced concerns about potential revenue loss for Karnataka after GST rate rationalisation.



Hon'ble CM holds review meeting with commercial tax department



In the run-up to next year's state budget, Chief Minister Siddaramaiah on Friday conducted review meetings with the commercial tax department.



S.R. Thulasidas, Editor

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The Commercial Tax Department has been given a revenue target of Rs 1,20,000 crore for 2025-26. Against the current year's target of Rs 80,000 crore up to November, the department has collected Rs 72,131 crore, including GST of Rs 53,522 crore, KST of Rs 17,595 crore and Professional Tax of Rs 1,014 crore. Around 13,000 inspections have yielded Rs 3,183 crore. Due to GST rate changes, tax growth over the past three months was only 3%. The department has been directed to intensify inspections, curb tax evasion and initiate action against bogus input tax credit cases.

Highlights of GST in Nov-2025.

- Retail sales rise 11% GST rate cuts, festive demand.
- Economy picked up steam in Oct on GST rejig, festival spends.
- Lower GST rates to spur consumption drive growth.
- GST fast-track registration scheme triggers spike in automatic approvals.
- GST reforms to boost India Inc's Q3 performance.
- GST relief, Infra Boost Lift Cement Sector Outlook.
- GST 2.0 bolstered momentum economy on stable footing.
- Steep excise hike on tobacco items.
- Excise on tobacco products to be shared with states.
- GST mop-up slows in November.
- Revenue take a hit After GST 2.0
- GST cut keeps auto sales growth in double digit.
- Sin goods makers face more scrutiny.

From the desk of Commissioner



Sri. Vipul Bansal

The recent GST 2.0 rate rationalisation has had a noticeable impact on the overall growth trajectory of our State's revenue performance. While the reform initiative was designed to streamline the tax structure and stimulate economic activity, its short-term effect has resulted in a visible dip in revenue realisation, particularly during the current financial year. Although the taxable turnover base has expanded, the anticipated revenue growth has not proportionally materialised, creating a gap when measured against the expectations and projections set out during the budget exercise.

In view of this emerging scenario, it is imperative that the Department adopts a strategic and forward-looking approach to strengthen revenue mobilisation for the remaining months of the financial year, with a clear focus on achieving the targeted collections by March 2026. This requires not only intensified efforts but also a methodical plan that addresses existing leakages, enhances compliance, and leverages technology-driven monitoring and analytics.

Accordingly, all departmental officers are directed to undertake a thorough review of their respective jurisdictions and propose a

pragmatic, data-backed, and actionable roadmap to improve revenue outcomes. Officers are expected to apply their expertise, field knowledge, and analytical insights to design a well-structured plan that is both implementable and aligned with broader departmental objectives.

The expectation is that each officer will present a clear vision—supported by realistic strategies such as targeted audits, improved scrutiny, enhanced enforcement, taxpayer outreach, and focused monitoring of high-risk sectors. The proposed plans should reflect a thoughtful understanding of ground realities and demonstrate a commitment to bridging the present revenue shortfall.

In essence, the onus lies on the field formations to translate policy intent into measurable results. A coordinated, proactive, and innovative approach is essential to ensure that the State not only meets but confidently surpasses the revenue targets set for the financial year.

Supreme Court Upholds ITC for Bona Fide Purchasers Despite Seller's Tax Default

Supreme Court Of India
Civil Appeal No(S).2042-2047/2015
Dated: 09.10.2025.

The Supreme Court's decision in Commissioner, Trade & Taxes, Delhi v. M/s Shanti Kiran India (P) Ltd. reaffirms a critical principle in indirect taxation jurisprudence: bona fide purchasing dealers cannot be denied Input Tax Credit (ITC) merely because the selling dealer—though registered at the time of transaction—later defaults in remitting tax to the Government. The core issue examined in the appeal was whether ITC should be disallowed to purchasers despite their full compliance, solely due to the Page 3 of 16 seller's subsequent non-deposit of collected tax.

The Court noted that the purchasing dealers had entered into transactions with sellers who were validly registered on the date of sale. There was no allegation of collusion, nor any dispute regarding the genuineness of invoices or the transactions themselves. The High Court had previously held the purchasers to be bona fide, and this finding was not challenged with contrary material.

The Supreme Court placed significant reliance on the Delhi High Court's landmark ruling in On Quest Merchandising India Pvt. Ltd. regarding Section 9(2)(g) of the DVAT Act. That decision had "read down" the provision to ensure that ITC cannot be denied to a bona fide purchasing dealer who has acted in good faith, received genuine tax invoices, and engaged with a registered seller. The Court reiterated that the Department's remedy in such circumstances lies in proceeding against the defaulting seller, not penalising the purchaser.

The Supreme Court also noted that the Special Leave Petition filed against On Quest Merchandising had been dismissed without interference, reinforcing the judicial position.

Accordingly, finding no infirmity in the High Court's conclusion, the Supreme Court dismissed the appeals. The ruling strengthens the protection of bona fide taxpayers and ensures that tax authorities cannot shift the burden of a seller's default onto compliant purchasers, except where collusion is proven.

Unless and until collusion is established, input tax credit cannot be denied to a bona fide purchaser merely on the grounds of default or non-compliance by the seller. As long as the purchasing taxpayer

has acted genuinely, maintained proper documentation, and fulfilled all statutory requirements, the benefit of ITC should not be withheld due to the supplier's lapse.

- editor

GST – Compulsory Acquisition – Solatium – Whether taxable – Held: No.

**High Court of Karnataka
WP No. 2552 of 2024
Dated: 10.09.2024**

Land acquired by KIADB for BMRCL under the KIAD Act. Petitioners accepted package compensation including an amount labelled as "solatium" and executed agreements transferring full rights in the immovable property. GST authorities issued notices demanding GST on the solatium component by invoking Entry 5(e) of Schedule II (agreeing to tolerate an act).

Compensation paid for acquisition of land, including any amount termed as solatium, is not exigible to GST. The transaction is essentially a sale/transfer of land, covered under Entry 5 of Schedule III – neither supply of goods nor supply of services. Labelling part of compensation as "solatium" does not alter its nature. Receipt of compensation and execution of transfer documents does not amount to "agreeing to tolerate an act" under Entry 5(e) of Schedule II. Petitioners did not render any service; they merely relinquished rights in land. Consent-based compensation under land acquisition processes is also not taxable. GST Council deliberations confirm that immovable property transfers were consciously kept outside GST's scope.

The compensation amount includes solatium and relates to a transaction involving immovable property. Since dealings in immovable property fall outside the purview of supply under the GST law, the compensation paid in this context does not attract GST and remains outside the scope of levy under the GST Act.

-editor

Karnataka High Court Quashes IGST Demand on Expatriate Secondment; Holds Value Deemed 'Nil' Under CBIC Circular and Confirms Employer–Employee Relationship

**High Court of Karnataka
WP No. 1779 of 2025
Dated: 15.07.2025**

The Karnataka High Court quashed the IGST demand raised on Alstom Transport India Ltd. for alleged import of manpower supply services through seconded expatriate employees. The Court examined the secondment structure and held that expatriates were fully integrated into the petitioner's workforce: they were on the Indian payroll, subject to TDS, governed by Indian employment terms, and under the petitioner's control and supervision. Hence, the relationship fell squarely within Schedule III, which treats employer–employee services as non-supply for GST purposes.

The Revenue alleged that secondment constituted manpower supply by foreign affiliates, attracting IGST under the Reverse Charge Mechanism. However, the Court relied on CBIC Circular No. 210/4/2024-GST, especially Para 3.7, which clarifies that where full ITC is available and no invoice is issued by the related domestic entity, the value of services must

be deemed NIL and treated as open-market value under Rule 28's second proviso. Thus, even if secondment were assumed taxable, the valuation would still be NIL, leaving no IGST liability.

It is pertinent to note that the Hon'ble High Court has distinguished the case from the judgement of Hon'ble Supreme Court in the Northern Operating System Private Limited Vs. CCCE and S.T Bengaluru and also taken note of the circular 210/2024, where in it is clarified that value of supply would be NIL where invoice is not raised.

There is no basis to levy GST on expatriate secondment. Even if secondment were considered a taxable supply, its assessable value would be zero, leaving no scope for imposing any IGST liability.

- Editor

Court Quashes Provisional Attachment and ITC Blocking Orders for Lack of Independent Opinion, Tangible Material, and Mandatory Legal Compliance

**High Court of Karnataka
WA No. 100425 of 2023
Dated: 02.04.2024**

The Court examined the legality of provisional attachment orders issued under provisions analogous to Section 281B of the Income Tax Act and Rule 86A of the CGST Rules. Relying on the Supreme Court's principles in Radha Krishan Industries, the Court emphasized that provisional attachment is a draconian measure and can be invoked only when statutory preconditions are strictly fulfilled. The Commissioner must form an independent, reasoned opinion, based on tangible material, that such attachment is necessary to protect government revenue and

that the assessee is likely to defeat the future tax demand.

In the earlier Indian Minerals case, the High Court held that a mere apprehension of large future tax demand is insufficient. The authority must establish a proximate and rational link between the need for attachment and the threat to revenue recovery. Even in the presence of potential tax exposure, if the assessee owns substantial immovable assets or is otherwise financially sound, the apprehension that revenue would be jeopardized cannot be presumed.

Applying these legal standards to the present matter, the Court found that the impugned attachment orders were arbitrary, mechanical, and premeditated. They lacked any recorded satisfaction or reasons demonstrating necessity. The orders merely stated that a large tax liability may arise, without showing any material suggesting that the assessee was likely to evade recovery, had insufficient assets, or behaved like a "fly-by-night operator." The absence of such findings rendered the orders vague, unreasoned, non-speaking, and legally unsustainable.

The Court further observed that the officers relied on borrowed satisfaction, primarily based on findings of investigation wings or transfer pricing officers, rather than forming their own independent opinion. This violates the mandatory requirement of "reasons to believe," which is fundamental to invoking both Section 281B and Rule 86A. The closure of a supplier's or vendor's business in subsequent years cannot retroactively justify blocking input tax credit availed earlier, which further weakens the revenue's case.

Regarding Rule 86A, the Court held that blocking of the Electronic Credit Ledger is a severe action and can be justified only when

supported by clear, cogent material showing fraudulent or ineligible credit. In the present case, such material was absent, and the revenue acted without proper verification.

Consequently, the Court held that the Single Judge erred in upholding the attachment orders and denying the need for pre-decisional hearing. Upon re-evaluation, the Division Bench set aside the Single Judge's order, quashed all impugned provisional attachment orders, and allowed the writ appeals.

Orders must not be vague, illegal, unreasoned, or non-speaking, as such orders are legally unsustainable. Authorities must form an independent, well-reasoned opinion grounded in the factual matrix of each case, ensuring clarity, justification, and transparency in the decision-making process.

- Editor

Revisional Authority Restores Confiscation Order, Holding FAA's Relief Legally Unsustainable and Prejudicial to Revenue

The Revisional Authority initiated suo moto revision under Section 108(1) of the KGST/CGST Act against the appellate order dated 30.06.2025, whereby the FAA had set aside the confiscation and penalties imposed by the Proper Officer (PO) under Section 130. The revision examined whether the FAA erred in disregarding substantive findings relating to misdeclaration, undervaluation, and related-party manipulation in a consignment of arecanut intercepted during transit.

The PO intercepted vehicle No. RJ-14-GJ-641 on 07.06.2024 and found discrepancies in the

accompanying documents. The invoice and e-way bill described the goods merely as "Areca nut" with HSN 0802, without specifying grade, variety, or quality, despite the commodity's substantial price variations based on grade. Further verification established that the supplier (M/s Sri Kendaganneshwara Swamy Traders), the consignee (M/s SKS Traders), and the transporter (M/s SKS Transport) were controlled by the same individual, Sri B.S. Uday Shetty. This related-party structure indicated a closed-loop arrangement facilitating undervaluation.

To determine the actual grade and value, the PO obtained expert opinions from CAMPCO and MAMCOS. Both institutions confirmed that the consignment comprised "Bazar Rash Edi," a grade with significantly higher market value compared to the declared invoice value. Relying on this evidence, the PO concluded that the omission of grade was deliberate, amounting to misdeclaration and undervaluation, and invoked Section 130 to confiscate the goods and conveyance while imposing penalty and fine.

However, the FAA set aside the order principally on procedural grounds—holding that the PO deviated from statutory sequence by moving from Section 129 (detention) to Section 130 without determining tax under Section 74. The FAA considered the process defective and therefore invalidated the confiscation.

The Revisional Authority held that the FAA failed to appreciate the substance of the case. The core issues—misdeclaration, related-party valuation abuse, and clear intention to evade tax—were supported by concrete evidence. The FAA's focus on procedural lapses ignored settled principles that procedural rules cannot override substantive justice,

particularly in cases involving fraud or suppression. The Revisional Authority emphasized that Section 130 can be invoked when intention to evade is evident, irrespective of initiation of Section 74 proceedings.

Accordingly, the Revisional Authority concluded that the FAA's order was erroneous, illegal, improper, and prejudicial to revenue. The revision was confirmed, the FAA's order was set aside, and the PO's original confiscation order under Section 130 dated 27.06.2024 was restored.

SMR Restores Confiscation Order Against M/s J K Traders, Overturns FAA's Relief After Finding Clear Intent to Evade Tax

The proceedings arise from the interception of vehicle KA-14-C-3087 on 31.12.2024 transporting areca nut from M/s J K Traders to M/s Smart Traders Enterprises, Delhi. During verification, the officer found no e-way bill, defective supporting documents, and suspicious details regarding both consignor and consignee. The Proper Officer (PO) detained the goods under Section 129 and subsequently issued a confiscation notice (MOV-10), culminating in an order under Section 130 imposing penalty and fine.

The First Appellate Authority (FAA) set aside the confiscation order chiefly on procedural grounds, holding that failure to issue MOV-07 and MOV-09 rendered the entire proceedings illegal, as the statutory sequence from detention to confiscation was not followed. The FAA concluded that procedural deviation vitiated the confiscation.

The Revisional Authority (SMR) examined the FAA's order under Section 108 and found it erroneous, illegal, and prejudicial to revenue. The SMR emphasized that the most critical facts were ignored by the FAA—particularly the absence of an e-way bill, the consignee's GSTIN being suspended, and suspicious compliance history of the consignor. These factors, taken together, were held to demonstrate intent to evade tax, attracting Section 130.

The SMR held that although omission of MOV-07 may be a procedural lapse, such deviation is not fatal when the officer possesses substantive material indicating tax evasion. The Authority reasoned that Section 130 can be invoked independently if circumstances show fraudulent intent. Judicial precedents cited in the order reinforce that transportation without an e-way bill Page 6 of 16

justifies detention, and supplying goods to a suspended GSTIN indicates illegitimacy of the transaction.

The TP argued that absence of MOV-07 deprived him of an opportunity to pay penalty under Section 129, and that supplying goods to a suspended GSTIN does not make the consignee "bogus." The SMR rejected these arguments, noting that (i) the law does not require the officer to proceed under Section 129 when stronger grounds exist for confiscation under Section 130, and (ii) a suspended GSTIN legally cannot receive supplies, rendering the invoice doubtful.

The SMR ultimately restored the confiscation order, concluding that **intent to evade tax** was clearly established, and the FAA erred by focusing solely on procedural defects without considering the substantive contraventions.

**Karnataka High Court
Reaffirms Exporters'
Substantive Right to GST
Refunds and Directs Fair,
Timely, and Non-Technical
Processing of Claims.**

**High Court of Karnataka
W.P. No.7317 of 2023
C/w W.P. 3689 of 2024
C/w W.P. 21146 of 2024
Dated: 27th March 2025**

This note examines the typical legal and procedural issues addressed by the Karnataka High Court in writ petitions concerning **GST export-refund claims**, particularly where the petitioner seeks relief due to denial, delay, or improper processing of refund applications filed under Section 54 of the CGST Act read with relevant Rules.

High Court orders in such cases generally arise when exporters face rejections based on procedural defects, classification disputes, mismatches between shipping documents and returns, or delays attributable solely to departmental inaction. A recurring theme in these writs is the Court's emphasis on the substantive right to refund for zero-rated supplies, which the GST framework seeks to ensure through an expedited and non-burdensome mechanism.

The Court typically reiterates that refunds are **not a concession** but a statutory entitlement for exporters, intended to preserve liquidity and promote competitiveness of Indian goods and services internationally. When refund claims are denied for hyper-technical reasons—such as inadvertent mismatches in GSTR-1/GSTR-3B, errors in invoice details, or procedural lapses—the Court often adopts a pragmatic approach, holding that procedural requirements must not defeat substantive rights when **tax has been paid, export has occurred, and no revenue loss is caused**.

Another common judicial

observation is that officers must act within reasonable timelines. Excessive delay in granting refunds, without justification or without issuing proper deficiency memos, is generally held to be contrary to the statutory objective. In many cases, the Court directs the department to reconsider refund applications afresh, provide an opportunity of hearing, or process them within a fixed timeframe.

In several writs, the High Court also stresses adherence to principles of natural justice: applicants must be provided clear reasons for rejection and a meaningful chance to respond. Mechanical reliance on circulars, portal-based technical barriers, or retrospective interpretation changes is frequently disapproved.

Overall, Karnataka High Court jurisprudence demonstrates a consistent effort to align refund adjudication with the pro-export policy of the GST regime, ensuring that authorities balance procedural compliance with fairness, timeliness, and substantive justice.

The High Court allowed all three writ petitions, quashed the impugned orders and show-cause notices, and directed the authorities to grant and release the refund with applicable interest to the petitioner within six weeks from receipt of the order.

editor

**Revisional Authority Sets
Aside FAA Order and
Upholds 18% GST Demand
Against Contractor for tax
period 2018–19**

The proceedings initiated under Section 108(1) of the KGST/CGST Act, 2017 against Sri Pattegowda, Contractor, pertain to the tax period 2018–19. The Revisional Authority examined the appeal order dated 16.10.2023 passed by the Joint Commissioner of Commercial Taxes

(Appeals)-6 and found it erroneous, illegal, and prejudicial to the interest of revenue. The core issues revolve around limitation in filing the appeal, incorrect application of concessional GST rate, lack of evidence by the taxpayer, and non-compliance with notices.

The adjudication order was issued on 03.01.2023, and the appeal was filed only on 05.05.2023. This delay of more than four months exceeded the permissible limit: three months plus one month of condonable delay under Section 107(4). Therefore, the appeal was time-barred, making the FAA's order without jurisdiction. The Revisional Authority rightly held that the appeal could not have been entertained at all.

On the substantive issue, the adjudicating officer had originally raised a demand on the grounds that the taxpayer collected GST at 12% instead of the applicable 18% on works contract services rendered to private entities. During SMR review, it was observed that the taxpayer claimed eligibility for concessional rate applicable to Government-related works but failed to furnish essential documents such as Government work orders, contracts, proof of being a subcontractor to a Government contractor, invoices, or acknowledgements from Government entities. The FAA accepted the taxpayer's claim without verifying these mandatory evidences, which is a clear legal error.

Further, the taxpayer did not appear for any of the nine personal hearings issued between October 2024 and June 2025. The notices were duly sent to the registered email address. The taxpayer also did not submit any written objections. The SMR authority emphasized jurisprudence by quoting relevant

High Court decisions holding that when adequate opportunities are given, failure to participate nullifies any claim of violation of natural justice.

The Revisional Authority concluded that the taxpayer neither justified the delayed appeal nor substantiated eligibility for concessional GST rate. As a result, the FAA's order was set aside, and the adjudication order imposing GST at 18%, with consequential interest and penalty, was restored. The authority also directed the proper officer to proceed with recovery.

This order reaffirms that exemption or concessional tax benefits must be strictly evidenced and cannot be granted on unsupported claims.

**Writ Petition Dismissed:
Delhi High Court Upholds
ITC Demand and Penalty
Against Treco Wire India
for Fraudulent Credit
Availed from Non-Existent
Supplier**

High Court Of Delhi
W.P.(C) 14428/2025
24th September 2025

The Delhi High Court considered a writ petition filed by Treco Wire India Pvt. Ltd., assailing the Order-in-Original dated 27 January 2025, by which a tax demand of ₹1.11 crores was confirmed under Section 74 of the CGST/SGST Acts. The proceedings arose from a DGGI investigation into multiple fictitious suppliers, including M/s Balaji Sales Corporation, which was found to be non-existent. Examination of 377 e-way bills revealed that 100 vehicles were untraceable, leading the Department to conclude that fraudulent ITC amounting to ₹29,90,898 had been passed on to

the Petitioner. Departmental visits to the Petitioner's registered address yielded no response, and the premises were found locked, resulting in attachment of its bank account and blocking of its electronic ledger.

The Petitioner's primary contention was that its electronic cash ledger had been blocked without granting a hearing, and that the personal hearing was not effectively afforded despite filing short replies and supporting documents. It was also argued that the writ petition had been instituted within the appeal limitation period, even though the listing occurred much later. A constitutional challenge to Section 16(2)(c) of the CGST Act was also raised.

The Court rejected these grounds. It noted that although the petition was filed in April 2025, it was registered only on 8 September 2025—well beyond the three-month appeal period and the additional one-month condonable extension under Section 107. Consequently, the adjudication attained finality. The Court further observed that minor inconsistencies in the Adjudicating Authority's remarks did not constitute a material violation of natural justice, as the Petitioner's submissions were duly considered. Importantly, the Petitioner offered no explanation regarding transactions with M/s Balaji, failing to rebut core allegations of fraud.

Emphasising that writ jurisdiction cannot substitute for a remedy lost due to expiry of limitation, the Court relied on judgments including Commercial Steel Ltd. and Addichem Speciality LLP. It dismissed the petition, noting the Petitioner's non-cooperative conduct, and held that the challenge to Section 16(2)(c) would be governed by the outcome in the pending Bharti Telemedia batch.

The case involved wrongful availment of ITC of ₹29.90 lakh based on invoices issued by M/s Balaji Sales Corporation, later found to be a bogus and non-existent entity. The petitioner failed to produce proof of actual supply or business transactions and also did not file an appeal within the time prescribed under Section 107 of the CGST Act. As there was no violation of natural justice and factual findings already stood concluded, the High Court refused to interfere and dismissed the petition.

- Editor

**Orissa High Court Declines
to Interfere in GST
Assessment Over Alleged
Fake ITC Claims;
Petitioner Directed to Avail
Alternative Remedy**

High Court of Orissa
W.P.(C) No.24393 of 2025
18.09.2025

In this writ petition, M/s Amit Metalics Company assailed the assessment order dated 1 July 2025 passed under Section 74 of the CGST/OGST Acts by the Joint Commissioner of State Tax, Rourkela-II. The order raised a demand of Rs.72,63,912 towards tax, interest and equivalent penalty for the period from December 2023 to March 2024, on the allegation that the petitioner had fraudulently availed and utilized Input Tax Credit (ITC) based on invoices issued by two entities—M/s Swastik Trade Ventures and M/s MG Trade and Services—both found to be non-existent.

The petitioner contended that it had duly replied to the show-cause notice issued on 29 October 2024 and had produced all relevant documents demonstrating the legitimacy of its ITC claims. It argued that the onus lies on the

Department to substantiate the allegation that the suppliers were non-genuine, and asserted that the assessing authority failed to properly examine the evidence furnished. According to the petitioner, the conclusion of fraudulent transactions was unfounded and unsupported by any material analysis.

Conversely, the Department's Standing Counsel placed on record instructions from the Commission - onerate, confirming that official enquiries had established the non-existence of both suppliers. The recorded findings indicated that the supposed landowner of the premises of M/s MG Trade and Services had been deceased for a decade, and the alleged landlord of M/s Swastik Trade Ventures, Smt. Sabitri Mohanty, had denied executing any rent agreement. On this basis, the Department maintained that the ITC claims were rooted in fake transactions.

After reviewing the case materials, the Court found that the assessing authority had provided a reasoned conclusion that the transactions were sham and intended for wrongful ITC availment. Holding that such disputed factual issues cannot be resolved in writ jurisdiction, the Court declined interference and directed the petitioner to pursue the statutory appellate remedy under the GST Act within four weeks. The writ petition was accordingly disposed of without examining the merits of the petitioner's claims.

The petitioner was alleged to have wrongly availed ITC based on invoices issued by M/s Swastik Trade Ventures and M/s MG Trade & Services, which were found to be non-existent entities. Investigations revealed major factual inconsistencies, including a landowner being

deceased for a decade and another denying any lease agreement. Given these disputed facts, the High Court declined interference under writ jurisdiction and advised the petitioner to pursue the appropriate statutory appeal.

- Editor

Supreme Court Upholds E-Mail Service and Legality of Consolidated Multi-Year GST Show- Cause Notices in ITC Fraud Cases

**Supreme Court of India
Special Leave Petition
(Civil) Diary No. 50279/2025.
Dated: 07.11.2025.**

The Supreme Court of India has upheld a Delhi High Court ruling which confirmed that service of notices through e-mail is valid under Section 169(1)(c) of the CGST Act, 2017, and that consolidated show-cause notices (SCNs) covering multiple financial years are legally sustainable in cases involving fraudulent Input Tax Credit (ITC) claims.

The litigation began when the CGST Department issued a consolidated SCN and consequential order to Mathur Polymers, alleging fraudulent availment of ITC amounting to ₹81,54,990 spread across various financial years. The petitioner challenged the action before the Delhi High Court, contending that the order violated natural justice as no notice of personal hearing was received. It was further argued that Section 74(10) mandated issuance of separate SCNs for each financial year, rendering a consolidated notice impermissible. The petitioner also claimed that service of hearing notices on the Chartered Accountant's e-mail instead of the petitioner's address was invalid.

The CGST authorities clarified that all notices were served on the e-mail address registered by the taxpayer on the GST portal, and that Section 169(1)(c) expressly recognises service through registered e-mail as valid. They also defended the consolidated SCN, stating that fraudulent ITC transactions often span multiple years and are interlinked, making a unified notice consistent with the statutory scheme and practical investigation needs.

The Division Bench comprising Justice Prathiba M. Singh and Justice Shail Jain accepted the Department's submissions, noting that the petitioner had suppressed the fact that the e-mail used was indeed the registered one. The Court held that the expressions "for any period" and "for such periods" in Sections 73 and 74 permit consolidated SCNs where the underlying transactions extend over several years. Observing no procedural lapses, the Court dismissed the petition with costs of ₹50,000, emphasising that issues relating to fraudulent ITC involve factual determinations unsuited for writ jurisdiction.

The Supreme Court, after condoning delay, declined to interfere and dismissed the SLP, thereby affirming the validity of e-mail service and consolidated SCNs in GST fraud matters.

When notices are issued to the e-mail address provided by the taxpayer on the GST portal, such service is treated as valid and duly effected. Further, where fraudulent ITC transactions relate to multiple tax periods and are interconnected, issuing a consolidated notice is appropriate and legally justified. A unified notice ensures comprehensive adjudication of all related transactions and avoids multiplicity of proceedings, thereby aligning

with the principles of procedural efficiency and legal consistency. Such an approach facilitates proper evaluation of the complete chain of transactions and prevents fragmented assessment, ensuring that the matter is dealt with in a holistic and lawful manner.

- Editor

Gujarat High Court Reaffirms: Assignment of GIDC Leasehold Rights Is Transfer of Immovable Property, Not Liable to GST; SCN Under Section 74 Quashed

**Gujarat High Court
Special Civil Application
No.15003/2025
Dated: 21.11.2025.**

The Gujarat High Court, in *M/s Siemens Ltd. v. Union of India & Ors.*, Special Civil Application No. 15003 of 2025 (decided on 21 November 2025), reaffirmed the well-established position that the assignment or transfer of leasehold rights in industrial land allotted by the Gujarat Industrial Development Corporation (GIDC) constitutes a transfer of immovable property. Such transactions, the Court held, do not fall within the ambit of "supply" under Section 7 of the CGST Act, 2017, and therefore cannot be subjected to GST. Any proceedings initiated under Section 74 on this basis were declared to be without jurisdiction.

In the present case, Siemens Ltd. had acquired long-term (99-year) leasehold rights over two industrial plots allotted by GIDC. In 2019, it assigned these rights—along with appurtenant structures—to LM Wind Power Blades India Pvt. Ltd. for 193.50 crore. The Department nevertheless issued a show cause notice dated 15 September 2025 proposing a GST demand of 34.83

crore by treating the assignment of leasehold rights as a taxable "supply of services".

The Court observed that the issue stood conclusively settled by the earlier decision in *Gujarat Chamber of Commerce & Industry v. Union of India* (SCA 11345/2023). That judgment had clarified that although the initial allotment of land by GIDC on a long-term lease may be treated as a supply of service, the subsequent assignment of leasehold rights by the lessee is a different species of transaction. Such an assignment results in complete transfer of the lessee's interest and is effectively a transfer of immovable property—akin to sale of land—which is expressly excluded from GST by Clause 5 of Schedule III.

The Court criticised the Department for persisting with demands despite the binding precedent, noting that the pending SLP was only at the diary stage with no stay. It therefore quashed the show cause notice, holding that no GST or ITC-related issues arise when the transaction itself lies outside the tax net.

The leasehold rights granted to the lessee pursuant to the allotment of land by the Department of Industries and Commerce are effectively in the nature of a transfer of interest in immovable property, similar to the sale of land. Since such transactions fall under the category of dealings in land, they are specifically excluded from the scope of GST. Accordingly, the grant of leasehold rights does not constitute a taxable supply, and the transaction remains

- Editor

Transporter Not Liable for Consignor's Loading Error: Allahabad HC Quashes Section 129 Proceedings Against Vehicle Owner

**Allahabad High Court
Writ Tax No. – 324/2022
Dated: 20.11.2025.**

The writ petition concerned the challenge to the appellate order dated 26.10.2021 issued by the Additional Commissioner (Appeals), which had affirmed proceedings taken under Section 129(3) of the GST Act against the petitioner, a GST-registered transporter. The dispute originated from the detention of goods and the vehicle on account of a mismatch between the quantity declared in the e-way bill and the quantity detected during physical inspection.

The petitioner, a sole proprietorship engaged exclusively in transportation activities, stated that the goods dispatched from Dehradun to Delhi were intercepted at Meerut on 25.09.2020 after the journey commenced during the intervening night of 24/25.09.2020. A physical verification conducted on 26.09.2020 revealed that only 138 cartons containing 16,295 boxes were loaded, whereas the e-way bill mentioned 167 cartons and 19,685 boxes. On this basis, the authorities invoked Section 129 and passed an order on 09.10.2020. The goods were later released upon the owner, M/s Balaji Enterprises/M/s Pharmaid Health Care, depositing the market value.

A significant factor noted by the Court was that the release order itself clearly recorded that the goods belonged to the consignor/owner. At no stage did any authority record a finding suggesting the transporter's involvement in tax evasion. The petitioner consistently asserted that the shortfall resulted from a

loading mistake committed by labourers during night-time operations, a plea that the owner also advanced, though not accepted by the department.

The Court observed that the petitioner was solely a service provider with no role in the sale or purchase of goods, and no material was produced to indicate intention or participation in any tax-evasion activity. Once the owner acknowledged the loading error and the goods were released to him, no basis remained to infer wrongdoing by the transporter. Despite the absence of any specific finding, the authorities seized the vehicle and continued proceedings.

Holding such action unsustainable, the High Court quashed the appellate order and directed refund of any amount deposited. The judgment underscores that transporters cannot be penalised for discrepancies attributable exclusively to the consignor/owner in the absence of evidence of collusion or intent to evade tax.

The transporter cannot be subjected to penalty for discrepancies that are solely attributable to the consignor or owner of the goods, especially when there is no evidence indicating collusion, misrepresentation, or deliberate attempt to evade tax. In the absence of any material proof suggesting that the transporter was aware of or involved in such discrepancy, penal action is unjustified. The responsibility rests primarily with the party causing the irregularity, and not with a bona fide transporter performing routine carriage of goods.

- Editor

Karnataka HC Sets Aside GST Registration Cancellation for Lack of Personal Hearing, Remits Matter for Fresh Consideration

**High court of Karnataka
WP No. 107444 of 2024
Dated: 18.11.2025.**

The writ petition before the High Court of Karnataka, Dharwad Bench, concerned the cancellation of the GST registration of R.M. Services on the ground that the mandatory opportunity of personal hearing had not been provided. The petitioner assailed the cancellation order dated 07.07.2023 issued by the Assistant Commissioner of Commercial Taxes, Ranebennur, and sought restoration of its GSTIN, primarily alleging violation of natural justice and non-compliance with Section 29(2) of the Karnataka GST Act, 2017.

The petitioner argued that although a show-cause notice had been served, it did not specify any date or time for personal hearing, thereby rendering the notice legally defective. Emphasis was placed on a Coordinate Bench ruling that had already settled this issue by holding that an order cancelling registration is unsustainable if the notice fails to fix a clear schedule for the hearing, as required under the proviso to Section 29(2). The proviso expressly mandates that cancellation of registration cannot be effected without providing an opportunity of being heard, and any vague or incomplete notice falls short of this statutory obligation.

Upon examining the matter, the Court found that the notice issued to the petitioner lacked any mention of a specific hearing date and time. The cancellation order did not demonstrate that a hearing was actually afforded, even though it mechanically stated that the petitioner's submissions had been considered. The absence of

material indicating compliance with the statutory requirement rendered the order procedurally deficient.

Given that the facts and issues were identical to those addressed in the earlier Coordinate Bench decision, the Court applied the same reasoning. It accordingly allowed the writ petition, quashed the impugned cancellation order, and remitted the matter to the competent authority to proceed afresh from the stage of the original notice. The authority was directed to strictly follow statutory mandates and ensure that a proper opportunity of hearing is granted.

The decision reinforces the necessity of procedural fairness in GST registration cancellation proceedings and underscores that adherence to natural justice is essential for the validity of administrative decisions.

Procedural fairness is fundamental in matters relating to GST registration, cancellation, or modification. Any administrative action must adhere to the principles of natural justice, ensuring that affected taxpayers are given prior notice, a reasonable opportunity to present their case, and appropriate justification before any adverse decision is taken by the authorities.

- Editor

Delhi HC Restricts Retrospective GST Cancellation to SCN Date, Protects Buyers' ITC in Shivay Iron Scrap Case

**Delhi High Court
W.P.(C) 13914/2025
Dated: 19.11.2025.**

The Delhi High Court, in Shivay Iron Scrap v. Commissioner of Goods and Services Tax, North (W.P.(C) 13914/2025), examined

the legality of retrospective cancellation of GST registration and its cascading impact on the Input Tax Credit (ITC) availed by downstream buyers. The petitioner had initially applied for voluntary cancellation of registration due to the proprietor's age and ill-health. Instead of processing this request in the ordinary course, the department issued a Show Cause Notice (SCN) dated 14 December 2021 and subsequently cancelled the registration on 24 December 2021 with retrospective effect from 11 July 2017.

Although there was considerable delay in invoking the writ jurisdiction—given that the petitioner's statutory appeal was withdrawn in 2023 as being time-barred and the writ petition was filed only in 2025—the Court proceeded to assess the merits. This was primarily because retrospective cancellation had significant collateral consequences, including denial of ITC to buyers who had purchased goods from the petitioner during the relevant years. An affidavit filed pursuant to earlier directions revealed turnover details for 2017–2021 and disclosed that one of the buyers, Saisha Enterprises, had already been issued a notice disputing ITC exclusively on account of the retrospective cancellation.

Importantly, the Court noted the department's categorical statement that there were no allegations of fraudulent ITC or wrongful conduct against the petitioner. This factor assumed central importance because retrospective cancellation is ordinarily justified only when fraud, suppression, or serious statutory breaches are established. The petitioner also highlighted that the SCN did not propose retrospective cancellation, making the department's decision legally unsustainable.

Considering these aspects, the Court held that the cancellation could not take effect from 11 July 2017. Instead, it ordered that it would operate prospectively from the date of the SCN, i.e., 14 December 2021. This direction preserved the ITC legitimately claimed by purchasers for the period when the registration was valid. The petitioner also accepted this form of relief.

The ruling underscores that retrospective cancellation cannot be resorted to mechanically, particularly when third-party rights are jeopardised and when the SCN itself contains no such proposal.

The input tax credit duly availed by the purchaser during the period when the supplier's registration was valid cannot be denied merely because the registration was subsequently cancelled with retrospective effect. Legitimate benefits accrued during the valid tenure must be protected, and retrospective actions cannot prejudice a bona fide recipient.

- Editor

**Seizure of Goods
Without E-Way Bill
Upheld: Allahabad High Court
Dismisses Writ Petition of
Birds RO System Pvt. Ltd.**

**High Court of Judicature
at Allahabad
Writ Tax No.987/2024
Dated: 17.11.2025.**

The High Court of Judicature at Allahabad, in Writ Tax No. 987 of 2024, examined the legality of a seizure action initiated under the Uttar Pradesh GST Act for transporting goods without a valid e-way bill. The petitioner, M/s Birds RO System Private Limited, engaged in the wholesale and retail supply of water purifiers and related components, challenged

the order dated 29.03.2023 passed by the Additional Commissioner (Appeals), State Tax, Sonbhadra. The appellate authority had upheld the seizure of goods under Section 129(3) on the ground that the consignment was being moved without the mandatory e-way bill.

The petitioner argued that there was no intention to evade tax, asserting that tax invoices were issued properly and GST liabilities were duly discharged. They claimed that temporary server issues prevented timely e-way bill generation, and the transporter had been clearly instructed not to move the goods until the e-way bill was uploaded. Despite this, the transporter commenced transportation prematurely, resulting in the goods being intercepted by the GST Mobile Squad. The petitioner contended that these circumstances were not considered during adjudication and emphasized that all statutory returns were filed and taxes were regularly paid.

Conversely, the State, represented by the learned Additional Chief Standing Counsel, submitted that the absence of an e-way bill at the time of interception was itself a statutory breach sufficient to justify detention and seizure. The State relied on earlier decisions such as M/s Aysha Builders & Suppliers v. State of U.P. and M/s Mohini Traders v. State of U.P., where the Court held that transportation without a valid e-way bill attracts lawful seizure irrespective of intent or subsequent compliance.

Upon reviewing the record, the High Court observed that the e-way bill in this case was generated only after the interception. Consistent with established precedents, the Court held that the statutory requirement under the GST regime mandates possession of a valid e-way bill during transit. The petitioner's explanations could not override this obligation. Accordingly, the writ petition was dismissed,

reiterating that non-production of an e-way bill during transportation legitimizes seizure proceedings.

The failure to produce a valid e-way bill during movement of goods constitutes a significant compliance lapse under GST law. Such non-production authorises the tax authorities to intercept the conveyance, seize the goods and vehicle, and initiate appropriate penalty proceedings, treating the transportation as being in contravention of statutory requirements.

- Editor

**Allahabad HC Quashes
GST Section 74 Penalty
on S.A. Iron & Alloys Pvt. Ltd.,
Orders Full Refund with Interest
for Lack of Fraud Findings**

High Court of Judicature
at Allahabad
Writ Tax No.735/2023
Dated: 06.11.2025.

The High Court of Judicature at Allahabad in Writ Tax No. 735 of 2023 addressed the challenge filed by M/s S.A. Iron & Alloys Pvt. Ltd. against orders passed under the GST regime. The petitioner, engaged in the business of sponge iron and MS ingots, contested the orders dated 10.06.2022 and 24.02.2023, issued by the GST authorities (Respondents 4 and 5), alleging irregularities in assessment and penalties under the GST Act.

The dispute arose following a survey conducted at the petitioner's business premises on 01.12.2018, wherein authorities claimed to have found excess stock—220 tons of sponge iron—based solely on visual estimation without actual weighing or physical accounting. Subsequent to this, the petitioner faced a penalty under section

130(3) read with section 122 of the GST Act. This penalty was challenged and quashed by the first appellate authority in January 2023.

Despite this, after over three years, proceedings under Section 74 of the GST Act were initiated via a show cause notice dated 07.06.2022, alleging suppression of stock and undeclared production. The petitioner filed a detailed response, but the authorities imposed tax, penalty, and interest through the impugned order of June 2022. The appeal against this order was partly allowed in February 2023, without a full exoneration.

The petitioner contended that the requirements of Section 74, which allows action only in cases involving fraud, willful misstatement, or suppression of facts with intent to evade tax, were not met. Reliance was placed on the Allahabad High Court judgment in M/s Diamond Steel vs. State of U.P., which emphasized that Section 74 proceedings must be supported by specific findings of fraud or intentional misstatement.

The State, through its counsel, argued that the survey revealed discrepancies in stock and electricity consumption, suggesting intent to evade taxes. However, the Court observed that neither the adjudicating authority nor the appellate authority recorded any finding of intent, fraud, or misuse of ITC by the petitioner. The Court noted that the appellate order partially allowing the appeal lacked sufficient reasoning and failed to comply with the statutory requirements of Section 74.

Consequently, the High Court quashed the impugned appellate order and directed that the petitioner's appeal be allowed in toto. Further, the authorities were instructed to refund any amount deposited by the petitioner along

with 4% interest per annum within two months from the production of the certified copy of the order.

This judgment reinforces that Section 74 of the GST Act cannot be invoked without clear findings of fraud or intentional suppression, and emphasizes adherence to statutory procedure in assessment and penalty matters. It protects taxpayers from arbitrary application of provisions intended for deliberate tax evasion

The statutory provisions should not be invoked in a routine or mechanical manner. Enforcement must be based on clear evidence of intentional tax evasion, rather than presumptions or procedural lapses. Only when deliberate non-compliance is established should stringent measures be imposed, ensuring fairness and proportionality in tax administration.

- Editor

**Misuse of Section 74
GST: Courts Stress Need for
Evidence of Fraud Before
Invoking Penal Provision
S.R. Thulasidas**

Section 74 of the GST Acts was enacted to deal specifically with cases of tax non-payment, short payment, erroneous refund, or wrongful ITC availment caused by fraud, wilful misstatement, or suppression of facts. It is a penal provision carrying higher penalties and a five-year limitation period, unlike Section 73 which covers ordinary, bona fide errors with a three-year limitation. Thus, the distinction between the two provisions is substantive: one targets fraudulent conduct, the other addresses mistakes.

In practice, however, authorities frequently invoke Section 74 even where there is no allegation or evidence of fraud. Show cause notices often contain templated

statements like "wilful suppression with intent to evade tax" without any particulars, evidence, or material suggesting concealment. Many such notices arise from routine return mismatches, delayed ITC reversals, or accounting differences—issues that fall squarely under Section 73. This mechanical invocation amounts to misuse of a penal provision.

Officers often prefer Section 74 because of its extended limitation period and higher penalties, and because audit objections or system-generated mismatch reports are treated mechanically as suppression. The absence of initial judicial scrutiny allows this practice to continue.

Courts have consistently held that invocation of Section 74 requires cogent evidence of intent to evade. Mere differences in returns or clerical lapses do not constitute fraud. A notice lacking allegations or evidence of fraud is jurisdictionally defective and void. Dealers receiving such notices should challenge their maintainability at the outset, pointing out the absence of particulars, evidence, or circumstances indicating mens rea, and assert that proceedings, if any, should fall under Section 73. Reference may be made to CBIC Instruction No. 05/2023-GST cautioning against mechanical use of Section 74.

Judicial intervention is essential to curb this misuse. Vague notices violate natural justice, burden courts, and erode taxpayer confidence. Section 74 must remain reserved for genuine fraud, not routine compliance issues.

A clear distinction is drawn between Section 73 of the GST Act, which deals with routine, bona fide errors and is governed by a shorter three-year limitation period, and Section

74, which is invoked only in cases involving wilful intent to evade tax, attracting a higher penalty and extended limitation. Therefore, before initiating adjudication proceedings, the proper officer must carefully examine the factual circumstances and establish whether the conduct is merely erroneous or is indicative of deliberate tax evasion

- Editor

Finance Bill 2025 Tightens ITC Eligibility: Section 17(5)(d) Amended to Restrict Credit Only to 'Plant and Machinery' with Retrospective Effect

• K.S. Rajesh

The Finance Bill, 2025 has introduced a significant amendment to Section 17(5)(d) of the Central Goods and Services Tax (CGST) Act, 2017 by substituting the words "plant or machinery" with "plant and machinery." This change carries substantial implications for the eligibility of Input Tax Credit (ITC) on construction-related expenses. Under the amended provision, ITC on goods, services, or both received by a taxable person for the construction of an immovable property on his own account—including when such construction is undertaken in the course or furtherance of business—shall now be available only if the resulting immovable property qualifies as "plant and machinery."

The term plant and machinery continues to derive its meaning from the Explanation to Section 17 of the CGST Act, 2017, which specifically excludes land, buildings, civil structures, telecommunication towers, and pipelines laid outside the factory premises. By reinforcing the conjunctive usage of "and" instead of the earlier "or," the amendment narrows the scope of ITC eligibility and aligns the statutory language

with legislative intent.

This amendment is also designed to expressly override the interpretation adopted by the Hon'ble Supreme Court in *Safari Retreats India Pvt. Ltd. v. Union of India*. In that case, the Supreme Court held that the expression "plant or machinery" appearing in Section 17(5)(d) could not be equated with the defined term "plant and machinery" contained in the Explanation. The Court's interpretation had provided a more liberal reading, thereby expanding the potential availability of ITC on certain immovable property constructions.

To negate the effect of this ruling and re-establish legislative clarity, the Finance Bill, 2025 explicitly substitutes the phrase and makes the amendment retrospectively effective from 1 July 2017. Further, it clarifies that the amendment will apply notwithstanding anything inconsistent contained in any judgment, decree, or order of any court or authority, thereby conclusively settling the interpretational issue.

Important notification and Circulars for the month of

Nov-25

KGST Law Notification No. FD 05 CSL 2025 (4-E/2025) dated 06.11.2025 (Fourth Amendment Rules, 2025):

1. The notification inserts Rule 9A for automatic electronic grant of GST registration within three working days using risk-based data analysis.
2. It introduces Rule 14A, allowing small B2B taxpayers with monthly output tax liability up to ₹2.5 lakh to obtain simplified Aadhaar-authenticated registration and laying down a structured process for withdrawal through new Forms REG-32 and REG-33.

- Several registration forms (REG-01, REG-02, REG-03, REG-04, REG-05) are amended to integrate the Rule 14A framework, strengthening verification and registration management on the GST portal

Notification No. 18/2025– KGST Tax (Rate)

- The notification revises the definition of "Nominated Agency" in Notification No. 26/2018-CT (Rate).
- Under the new definition, only entities listed in Lists 13, 14 and 15 of Table I of Customs Notification 45/2025-Customs (dated 24-10-2025) will qualify as nominated agencies.
- The amendment becomes effective from 1st November 2025, ensuring alignment between GST provisions and the updated Customs framework.

Circular No. 253/10/2025–GST:

- The circular formally withdraws Circular No. 212/6/2024-GST dated 26th June 2024, which had prescribed a procedure for evidencing compliance with Section 15(3)(b)(ii) of the CGST Act.
- With this withdrawal, the earlier procedure for providing evidence of post-sale discount conditions is no longer required.

Department of Commercial Taxes, Mangalore: Sports Event Returns After Long Hiatus V Kumar

After more than 25 years, the Department of Commercial Taxes, Mangalore revived its sporting culture by organizing a two-day sports festival on November 22-23, 2025 under the leadership of the three Joint Commissioners. The event received overwhelming participation from over 200 employees aged between 20 and

60 years, many of whom fondly recalled similar events held decades ago, while younger staff enjoyed their first experience. The festival created an inclusive platform that united permanent and outsourced staff, senior officers and junior employees, creating a memorable community experience.

The event featured a wide range of sports to encourage maximum participation. Box cricket emerged as one of the highlights, culminating in a tied final that was decided through a super over. Badminton doubles drew enthusiastic participation with multiple teams competing vigorously. Swimming events added variety, while track and field brought out exceptional athletic talent across age groups. Volleyball, throwball, carom, chess, and fun activities such as lemon-and-spoon race and bucket-the-ball ensured all employees participated irrespective of skill level. The tug of war generated excitement and symbolized teamwork at its peak.

A striking aspect of the festival was the participation of senior members, including Sri Srikant K, Smt. Uma H and Sri R.M. Gogeri, who at 58-59 years proved their sporting ability by winning medals. The organizing team, including Hemalatha N., DCCT, Sanjaya Balipa, ACCT, Sathish, ACCT, and Balachandra, DCCT, with the active involvement of the Joint Commissioners—Sri V. Kumar, Sri Lakshapathi Naik and Smt. Sulakshana N.S—made the event a resounding success. This revival reinforced the department's commitment to employee well-being, fostering a culture of fitness, camaraderie, and organizational unity.



Adjudication Proceedings under GST Act

· Balasubramanya M.

The adjudication process under the Goods and Services Tax (GST) has emerged as one of the most significant components of tax administration in recent years. Introduced in 2017, GST was intended to simplify India's indirect tax structure; however, disputes arising from assessments, audits, and inspections continue to require structured legal resolution. Adjudication ensures that such disputes are settled fairly, enables the creation of enforceable tax demands, and strengthens compliance discipline among businesses.

Officials note that adjudication proceedings often originate from audit findings under Section 65, inspection reports under Section 67, or discrepancies detected during return scrutiny. Once a potential tax default is identified, a show cause notice (SCN) is issued detailing the nature of short payment, supporting evidence, and proposed penalties. Taxpayers are given an opportunity to respond within a prescribed timeframe, followed by a personal hearing. After examining arguments and evidence, adjudicating officers issue a reasoned order, either confirming, modifying, or dropping tax demands.

The legal foundation for adjudication lies mainly in Sections 73 and 74 of the GST Act. While Section 73 deals with cases not involving fraud or suppression, Section 74 applies when wilful misstatement or evasion is alleged. Timelines are clearly laid down: notices must be issued within three years in non-fraud cases and five years in cases alleging fraud. Orders must typically follow within the same respective limits. Rule 142 prescribes the formats and

electronic communication of notices and orders, such as DRC-01 and DRC-07. Authorities such as Deputy Commissioners, Assistant Commissioners, and Commercial Tax Officers handle adjudication, emphasising transparency and observance of natural justice.

Despite the system's structure, several challenges persist. Delay in issuing notices, bulk assignment of cases, lack of visibility on pendency, and complex documentation often prolong proceedings. Additionally, overlapping jurisdiction between audit, enforcement, and regular assessment wings sometimes results in duplication of demands. Officers have recommended better case tracking mechanisms and pecuniary limits for adjudicating authorities to promote uniformity and speed. Suggestions have also been made for team-based adjudication and stronger monitoring committees to ensure timely disposal of cases.

For taxpayers dissatisfied with adjudication orders, the law provides appellate remedies under Section 107. While the designated GST Appellate Tribunal is yet to become fully functional nationwide, High Courts continue to intervene, especially in matters involving violation of natural justice or improper notices. Experts believe that consistent and well-reasoned adjudication orders will reduce litigation and bring greater predictability to businesses.

Overall, adjudication under GST remains essential for maintaining fairness and accountability in the tax system. With improved procedural clarity, strengthened monitoring, and evolving jurisprudence, authorities expect the process to become more efficient and taxpayer-friendly in coming years.

Kannada Rajyotsava 2025

@ Mysore Division



LETTERS TO THE EDITOR

The write-up on the metal scrap scam was well presented. Departmental officers should also contribute articles highlighting innovative methods for improving tax collection and simplifying tax administration



Mr. S. Mirza Azmath ulla,
Addl. CCT

The newsletter provides valuable information, with the editor's remarks on judicial rulings being both appropriate and precise.



Mr. M.B. Narayanaswamy,
Addl. CCT

**GST RATE RATIONALISATION
DRIVES ECONOMIC GROWTH
BUT TRIGGERS SHORT-TERM
REVENUE DECLINE****S.R. Thulasidas**

The recent GST Rate Rationalisation marks one of the most noteworthy reforms in India's indirect taxation landscape, representing a systematic attempt to encourage consumption, reduce industry cost pressures, and enhance market competitiveness. The restructuring of tax slabs was implemented with a broader macro-economic vision—strengthening purchasing power, stimulating commercial expansion, and improving tax compliance. As part of this initiative, several goods and services—including dairy products, life-saving medicines, automobile components, financial services, and insurance—were moved to lower slabs, and a few were fully exempted from GST. These changes collectively improved affordability for end-consumers and supported industry growth in the short term.

However, the fiscal impact was considerable, particularly at the state level. For instance, Karnataka is projected to witness a potential revenue shortfall of nearly 5000–6000 crore in this financial year. This decline is primarily attributable to zero-rating of critical categories such as essential medicines, individual insurance products, and basic household commodities. While such exemptions serve social objectives by reducing out-of-pocket expenditure, they also reduce tax inflows for governments that depend heavily on consumption-based revenue sources.

Despite these challenges, the reform has had a positive influence on tax base expansion. The taxable

turnover is estimated to have increased by approximately 12%, while total reported turnover has grown by about 13%. This suggests that reduced rates encouraged more reporting, wider compliance, and improved market participation. Nonetheless, the turnover expansion has not fully compensated for the reduction in effective tax rates, resulting in a net reduction in collections in specific sectors.

Sectorally, the impact has been mixed. Financial services experienced one of the sharpest falls in GST revenue because insurance premiums—particularly personal insurance—shifted from an 18% levy to full exemption. The pharmaceutical sector too recorded a significant decline owing to tax relief extended to 33 critical life-saving drugs. In addition, construction-linked segments such as cement, iron and steel, and engineering and construction services saw revenue contraction arising from lower rates, delayed billing cycles, seasonality in demand, and tighter credit access for capital-heavy projects.

Contrastingly, other segments exhibited strong resilience. Telecommunication services continued to generate higher revenue due to rising digital consumption. The bullion and jewellery market nearly doubled its turnover, primarily because of sharp increases in gold and silver prices, which in turn pushed up the taxable value base. Transport services reported growth following rate adjustments from 12% to 18%, while real estate, leasing, and rental segments sustained positive momentum reflecting renewed buyer confidence and stronger project completions. Moreover, the increase in GST on coal—from 5% to 18%—served as a partial offset to revenue losses from rate

reductions in other sectors.

A rate-wise assessment paints a clear trend. The 5% slab produced higher collections as transaction volumes increased enough to counterbalance lower tax incidence. The 12% slab faced the steepest decline following downward re-classification of key commodities, whereas the 18% slab remained stable because markets continued to transact in high-value segments. The 28% slab shrank significantly once high-rate items migrated to lower categories.

In conclusion, GST rationalisation has succeeded in stimulating trade, improving affordability, and widening taxable turnover. Nonetheless, it has created noticeable short-term fiscal pressures. Sustained monitoring over upcoming quarters will be crucial to determine whether rising economic output and expanding reporting eventually neutralise or exceed the revenue gap caused by reduced tax rates.

The Rate Rationalisation has boosted economic activity but compressed revenue due to heavy rate reductions in high-volume sectors. While expansion of the tax base offers long-term optimism, short-term revenue pressures are significant. Continuous monitoring over upcoming quarters will be critical to assess whether increased turnover compensates for reduced tax rates.

- Editor

Retired in the month of November 2025:

- **Shashirekha B.S. ACCT**