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Indirect tax newsletter

Indirect tax updates

August 2026

We are delighted to share a few important judgments/advance rulings passed under the Goods and Services Tax (GST), Central Excise and Service Tax that were available in the public domain for July 2026. This issue also covers some updates from a GST perspective.

GST

Kanakia Spaces Realty Private Limited vs. The Union of India & Ors. 2026-VIL-657-BOM (Bombay High Court)

Kanakia Supremo Construction Private Limited (KSCPL) and another company merged with the taxpayer pursuant to a court-approved scheme of amalgamation. The appointed date of the scheme was 01.04.2015, and the date of the court order was 29.11.2016. Consequently, KSCPL was dissolved, and its name was struck off the Registrar of Companies (RoC) records. The department issued a Show Cause Notice (SCN) in June 2025 under Section 74 of the Central Goods and Services Tax, 2017 (CGST Act), demanding GST liability along with interest and penalty on the allegation that KSCPL and its connected entities had not discharged their liability regarding the GST pertaining to flats/commercial properties allotted to the owners. Despite being informed of the company's merger, the department issued an Order-in-Original in December 2025 confirming the GST demand, interest, and penalty in KSCPL's name. The taxpayer challenged the validity of the proceedings on a non-existent entity before the Bombay High Court.

The Bombay High Court noted that KSCPL had ceased to exist upon amalgamation and that the department was duly informed. Relying on the Supreme Court decision in Principal Commissioner of Income Tax v. Maruti Suzuki India Ltd. [2019] 416 ITR 613, as well as its earlier decisions in Reliance Industries Ltd. v. P. L. Roongta [2025] 479 ITR 770 and Vodafone Idea Ltd. v. Union of India [2026-VIL-447-BOM], the Bombay High Court held that proceedings initiated against a non-existent entity are without jurisdiction and void ab initio. The Bombay High Court further observed that Section 87 of the CGST Act applies only to the intervening period between the effective date of amalgamation and the date of the amalgamation order. It does not authorise the issuance of SCN or continuation of proceedings against an entity that has ceased to exist post-merger.

Accordingly, the Court set aside the impugned order-in-original, leaving it open to the department to initiate proceedings for recovery of any unpaid GST dues, along with interest and penalty from the taxpayer, if permissible under the law.

M. M. Motors & Anr. vs The Senior Joint Commissioner of Revenue, Berhampore Circle, WBGST & Ors TS-504-HC(CAL)-2026-GST (Calcutta High Court)

The taxpayer was issued an SCN under Section 73 of the CGST Act for FY 2018–19. The adjudication order under Section 73(9) was digitally signed on 30.04.2024, which was the extended date beyond which the order could not be issued under the said section. The summary of the order was uploaded on the GST portal in Form GST DRC-07 on 01.05.2024. The taxpayer challenged the department's competence to pass and upload the order beyond the extended time period.

The Calcutta High Court held that the CGST Act has made a distinction between the words "issue" and "service" of an order, and that the limitation period under Section 73(10) is confined only to the issuance of the adjudication order. As the order was digitally signed and issued within the prescribed period, the adjudicatory function stood completed, and subsequent upload on the GST portal was merely a mode of service under Section 169 of the CGST Act. Accordingly, an order issued within the limitation period does not become time-barred merely because it is served or uploaded after the expiry of the limitation period.

The Commissioner of Central Tax vs Chimney Hills Education Society TS-305-HC(KAR)-2026-GST (Karnataka High Court)

The Karnataka High Court heard a bunch of appeals involving the common issue of the validity of the issuance of common/consolidated SCN under Sections 73 and 74 of the CGST Act, covering multiple financial years. The Court held that SCNs issued under Sections 73 and 74 do not prohibit coverage across multiple financial years, and such notices are neither tax-period-specific nor financial-year-specific. It was also observed that there is no statutory bar to the issuance of a common SCN covering multiple tax periods or financial years.

The Karnataka High Court relied on the decisions of the Delhi High Court in Ambika Traders vs Commissioner [(2025) 33 Centax 189 (Del)] and Mathur Polymers vs UOI [2025 SCC OnLine Del 6892], the Allahabad High Court in SA Aromatics (P.) Ltd. vs. UOI [2026 SCC OnLine All 191] and the Jammu & Kashmir High Court in New Gee Enn & Sons vs. UOI [2025 SCC OnLine J&K 1180], which upheld the validity of a composite SCN covering multiple financial years. The High Court observed that these decisions have considered the issue after detailed analysis of the entire scheme of the CGST Act and distinguished the contrary views taken by the other High Courts (Bombay, Kerala, Himachal Pradesh, Madras, Andhra Pradesh). It also noted that the division bench of the Bombay High Court has referred the matter to a larger Bench in the case of M/s. Rollmet LLP v. UOI (Writ Petition No.16848 of 2025). Consequently, the impugned SCNs were restored, allowing the taxpayers to file a reply thereto or an appeal within the prescribed time, as applicable.

Canara Bank & Ors. v. Union of India & Ors.
2026-VIL-598-KAR-ST (Karnataka High Court)

The taxpayers and various banks challenged the SCN issued by the service tax authorities proposing to levy service tax on the premise that customers maintaining the stipulated Minimum Average Balance (MAB) in their bank accounts constituted non-monetary consideration for the banking facilities provided by the banks. Customers who failed to maintain the prescribed MAB were liable to pay non-maintenance/penal charges, on which service tax had already been discharged by the petitioners, and this was not a question under dispute. The department alleged that by agreeing to provide banking facilities in lieu of maintenance of MAB, the banks rendered a “declared service” under Section 66E(e) of the Finance Act, 1994, and sought to levy service tax by treating the MAB shortfall charges as the value of taxable services.

The Karnataka High Court held that maintenance of MAB is merely a contractual condition governing the banker-customer relationship and does not constitute a non-monetary consideration for banking services. The Court observed that charges are recovered for non-maintenance of MAB, and service tax has already been discharged on that. It further observed that the banks do not charge any consideration, nor is there any intention to charge customers for the costs of services, and the only charge is for non-maintenance of MAB, which the banks may impute as a recovery of the costs of servicing such customers. The fact that the customer remains at liberty to withdraw the entire amount standing to the credit of the account leads to the conclusion that the MAB, or the maintenance thereof, cannot be regarded as “consideration” for the services rendered by the banks. The Karnataka High Court also relied upon the Supreme Court’s decisions in the case of Bhayana Builders [2018 (10) GSTL 118 (SC)] and Edelweiss Financial Services [(2023) 5 CENTAX 58 (SC)] to reiterate that tax can be levied only where there is a clear nexus between the service rendered and the consideration received. Consequently, the Karnataka High Court quashed the impugned SCNs.

SRO India v. State of Punjab & Another
2026-VIL-724-P&H (Punjab & Haryana High Court)

The taxpayer challenged the SCN on the ground that the proper officer had resorted to an AI tool for its issuance, without applying their mind. The challenge was based on a document that referred to various AI-based aids annexed to the SCN, which was uploaded to the GST portal.

The Punjab and Haryana High Court held that the statute expects the competent authority not only to examine the facts of the case but also to apply their mind before issuing an SCN. Use of an AI Tool for the preparation and issuance of an SCN is not shown to be permissible under the statute. Since the SCN was issued primarily relying upon the AI tool, the use of which was not shown to be permissible under the statute, the SCN and consequential proceedings were quashed, with liberty to issue a fresh notice after independent application of mind.

Luxmi Traders v. Union Territory of Chandigarh & Ors.
2026-VIL-732-P&H (Punjab & Haryana High Court)

The Punjab and Haryana High Court has addressed a batch of writ petitions wherein the taxpayers have challenged GST adjudication orders and dismissal of appeals on limitation, contending that the SCNs and orders-in-original were only uploaded under the “View Additional Notices and Orders” tab on the GST portal and were neither served through any other prescribed mode nor attached to the email intimations. The issue before the Court was whether such uploading constituted valid service under Sections 146 and 169 of the CGST Act, thereby triggering the limitation period for filing an appeal.

The Punjab and Haryana High Court held that mere uploading of SCNs or orders on the “View Additional Notices and Orders” tab of the GST portal does not constitute valid service under Section 169 read with Section 146 of the CGST Act. It was observed that no notification has been issued as required under Section 146, notifying the common portal for service of notices and orders; the option in Section 169, under which service can be done by making the notice/order available on the common portal, has not been exercised. In addition, an email merely intimating an upload, without enclosing the notice or order, does not constitute service by email. It further observed that service of notice on the common portal cannot be discarded where its receipt is acknowledged or a reply is filed. Thus, the limitation for filing an appeal would not commence merely on such uploading of an order.

The Court restored *ex parte* proceedings where SCNs had not been responded to due to improper service. Also, revived appeals dismissed as time-barred where the order was improperly served. It also directed the Department to revisit its online mechanism for effecting service of SCN/order, etc., to ensure that that the common portal become an instrument of effective communication.

Er. Roland S. Fernandes vs. Government of Karnataka
2026 (44) Centax 198 (Kar.) (Karnataka High Court)

The taxpayer, a civil contractor, was awarded a works contract by the State Government during the VAT regime. During the execution of the contract, the GST regime came into effect on 01.07.2017, resulting in an additional tax liability. After discharging the differential GST, the petitioner sought reimbursement from the State, which was not provided. The petitioner filed a writ petition seeking reimbursement of the differential GST along with interest.

The Karnataka High Court observed that the issue was covered by its earlier decision in M.G. Arunkumar v. State of Karnataka (2024) 21 Centax 207 (Kar.), wherein it was held that the recipient of a works contract service is liable to bear the differential tax arising on account of the introduction of GST. Since the petitioner had discharged the differential GST liability, it has acquired a corresponding legal right to seek reimbursement of the differential GST amount. The State, as a beneficiary of the works executed, was obligated to reimburse the differential GST amount. Accordingly, the Karnataka High Court directed the State to determine and reimburse the differential GST payable to the petitioner in accordance with the law.

RHI Magnesita India Limited
TS-444-AAAR(HAR)-2026-GST (Haryana AAAR)

The taxpayer is engaged in the manufacture and marketing of refractory products. To raise capital, it undertook a Qualified Institutional Placement (QIP) in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. The funds raised through the QIP were utilised for the repayment/prepayment of the taxpayer's borrowings and for investment in the equity shares of its wholly-owned subsidiary.

In connection with the QIP, the taxpayer also procured various ancillary services, including legal, consultancy and other professional services, and availed ITC of the GST paid thereon. The taxpayer sought an advance ruling on the eligibility of ITC on the GST paid on the services procured in relation to the QIP.

The Haryana Authority of Advance Ruling (AAR) held that ITC was not admissible on the ground that raising funds through QIP was not an activity undertaken in the course or furtherance of business. Aggrieved by the ruling, the taxpayer preferred an appeal before the Haryana Appellate Authority of Advance Ruling (AAAR).

The Haryana AAAR held that

- In respect of the portion of the QIP proceeds utilised for repayment or pre-payment of borrowings, the AAAR held that ITC on services attributable to such utilisation is admissible as that raising finance for debt repayment is an activity incidental or ancillary to the main business. For this, AAAR relied on the judgments in Steel Strips Wheels Ltd.[2016 (42) S.T.R. 72 (Tri.-Del)], GMR Industries Ltd [2015 (38) S.T.R. 72-(Tri.-Bang)] and Hinduja Global Solutions Ltd.[2016 (42) S.T.R. 932 (Tri.-Bang)], In respect to the portion of the QIP proceeds utilised for investment in the taxpayer's wholly-owned subsidiary, it is inadmissible, since the subsidiary is a distinct legal entity and the input services lack a direct and proximate nexus with the appellant's business. Accordingly, the appeal was partly allowed, and the AAR ruling was modified.

Safety Controls & Devices Ltd.
(2026) 43 Centax 380 (A.A.R. - GST - Raj.) (Rajasthan AAR)

The issue before the Rajasthan AAR was whether a works contractor registered in Uttar Pradesh, executing a turnkey substation construction project in Rajasthan, was required to obtain GST registration in Rajasthan. The project involved the supply of equipment, the civil construction of foundations, office buildings, and roads, the erection and commissioning of equipment, and, finally, the handover of the substation. Civil and erection work will be executed through a sub-contractor. In addition, equipment was procured from vendors and delivered directly to the Rajasthan project site, while overall control and administration remained with the Uttar Pradesh office. Reliance was placed on Sections 22 and 2(71) of the CGST Act to contend that the supplier's location remained in Uttar Pradesh and that separate registration in Rajasthan was therefore not required.

The AAR observed that the taxpayer neither maintained an office nor had any fixed establishment in Rajasthan. Since all contractual, billing and management functions were carried out from Lucknow, the "location of supplier" under Section 2(71) was held to be Uttar Pradesh. The mere existence of a place of supply (i.e., the construction site) in Rajasthan does not create a requirement to obtain registration in that State. Regarding tax treatment of inward supplies, in the absence of the provision of relevant documentation, the AAR principally observed that if the inward supply involves the movement of goods from Uttar Pradesh to Rajasthan, it will be treated as an interstate supply liable to IGST. Conversely, if both supplier and recipient are located within Rajasthan and delivery is made within the State, CGST and SGST shall apply.

Notifications/circulars/instructions/advisory

Advisory on revision of timeline for Amendment of Aggregate Annual Turnover (AATO), 2026

GSTN has informed that the AATO functionality is being upgraded to enable automatic updation of AATO as subsequent returns are filed after the amendment window. In addition, the timeline for amendment of AATO on the GST Portal for FY 2025–26 has been revised.

Accordingly, taxpayers can submit AATO amendment applications from 01.07.2026 to 31.07.2026, while the jurisdictional tax officer will review the amended AATO details from 01.08.2026 to 15.08.2026. Earlier, as per the GSTN Advisory dated 01.05.2022, the facility to amend AATO was available until FY 2024–25 during the month of May. Taxpayers are advised to carefully review the AATO details before submitting the amendment application to ensure that the amended details are accurate.

(GSTIN Advisory dated 01.07.2026)

FAQs on mandatory capture of the ship-to field and voluntary closure of e-way bill, 2026

GSTN has issued a comprehensive set of FAQs to address various doubts, queries and representations received from taxpayers, trade, GST Suvidha Providers (GSPs) and other stakeholders regarding the mandatory capture of the 'Ship-to' field in e-way bills and the voluntary closure of e-way bills.

(GSTIN Advisory dated 02.07.2026)

Advisory for token generation for filing of appeals before the GSTAT

To facilitate the smooth filing of appeals and treat them as filed on time, the Goods and Services Tax Appellate Tribunal (GSTAT) introduced a Token ID facility to enable appellants facing filing-related issues to record their intent to file an appeal on or before 31.07.2026. Appeals must be completed within 60 days of the date of token generation; failing which, the token will lapse. A separate token is required for each appeal, and only tokens generated with complete and accurate details will be treated as valid.

(Order No. 156/2026 dated 10.07.2026)

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