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Indirect tax newsletter

Indirect tax updates

July 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 departments that were available in the public domain for June 2026. This issue also covers some updates from a GST perspective.

GST

M/s Prime Metals vs. Central Board of Indirect Taxes and Customs & Ors. 2026-VIL-52-SC (Supreme Court)

The Supreme Court (SC) has declined to interfere with the Rajasthan High Court order in a matter involving denial of input tax credit (ITC) under Section 16(2)(c) of the Central Goods and Service Tax Act, 2017 (CGST Act) and disposed of the Special Leave Petition. The taxpayer had challenged the constitutional validity of Section 16(2)(c), which conditions availment of ITC upon payment of tax by the supplier to the Government. However, without expressing any view on the validity of the provision, the SC left all issues related to the constitutional validity of Section 16(2) open to be agitated before the appropriate forum or authority.

Union of India & Ors. vs K K Alloys TS-449-SC-2026-GST (Supreme Court)

The SC has dismissed the Department's Special Leave Petitions (SLPs) against the Punjab & Haryana High Court ruling in M/s K.K. Alloys vs. UOI & Ors [TS-1112-HC(P&H)-2025-GST], which had held that Rule 86A of the Central Goods and Service Tax Rules, 2017 (CGST Rules) does not permit GST authorities to block a taxpayer's Electronic Credit Ledger (ECL) by an amount exceeding the credit available therein.

The Punjab & Haryana High Court had held that without availability of credit in ECL, there cannot be 'negative blocking'.

Declining to interfere with the High Court judgment, the SC held that no case for interference was made out under Article 136 of the Constitution and accordingly dismissed the SLPs filed by the Department. However, the SC clarified that other remedies available to the Department for recovery in accordance with law would remain open.

Tata Power Renewable Energies Ltd. vs. UOI, (2026) 42 Centax 383 (A.P.) (Andra Pradesh High Court)

The taxpayer was engaged in the business of supply of solar power generating systems and solar power-based devices along with design, installation, testing, commissioning and maintenance services. The taxpayer followed the 70:30 valuation mechanism prescribed under Entry 234 of Notification No. 1/2017-CT(R) read with Entry 38 of Notification No. 11/2017-CT(R) dated 28.06.2017 which deems 70 percent of the consideration as supply of goods taxable at 5 percent and 30 percent as supply of services taxable at 18 percent, resulting in an effective Goods and Service Tax (GST) rate of 8.9 percent. However, the department passed an assessment order levying GST at 18 percent on the entire consideration on the ground that separate invoices had been raised for goods and services and that goods were covered under different HSN codes. The taxpayer challenged the order before the Andhra Pradesh High Court.

The Andhra Pradesh High Court held in favour of the taxpayer holding that the 70:30 valuation mechanism under the relevant notifications created a legal fiction whereby the taxpayer was liable to discharge GST in accordance with the prescribed 70:30 mechanism under the relevant notifications. Mere issuance of separate invoices could not mean that there is no overall contract. Accordingly, favorable order was passed and impugned order was set aside to the extent of the levy of differential rate of tax, on the supply of goods and services of solar power generating systems and solar power-based devices.

Bioneeds India Pvt. Ltd. Vs. Commissioner of Central Tax, Central Excise and Service Tax, Bengaluru (2026) 42 Centax 89 (Kar.) (Karnataka High Court)

The issue before the Karnataka High Court was concerning the determination of place of supply and classification of services as exports, in the context of pre-clinical research and testing services rendered to foreign clients. The taxpayer received test substances/samples from overseas clients, conducted studies and trials in India, prepared study reports and communicated the results to the foreign recipients.

The Department sought to levy GST and Service Tax on the ground that the services were covered under Section 13(3)(a) of the Integrated Goods and Service Tax Act, 2017 (IGST Act) and the corresponding provisions under the service tax regime, since the activities were performed in India on samples made physically available by the foreign clients.

The Karnataka High Court held that Section 13(3)(a) was not applicable as samples supplied by foreign customers were not "goods" in the strict commercial sense rather they were non-marketable materials consumed during testing. As the services are not covered by Section 13(3)(a) of the IGST Act, the general rule found in Section 13(2) would apply and if the recipient of services is located outside of India, they would satisfy the test of being exported. Corresponding provisions of the service tax law would also be applicable.

In its analysis, the Karnataka High Court followed its own decision in IProcess Clinical Marketing Pvt. Ltd.(2026) 38 Centax 175 (Kar), where similar R&D services were held to be exports governed by Section 13(2). The Court also held that Notification No. 4/2019-Integrated Tax dated 30.09.2019, issued pursuant to the recommendations of the 37th GST Council Meeting, was clarificatory and elucidatory in nature and therefore operated retrospectively. Consequently, show cause notices (SCN) and specified demands were quashed.

Mahesh Value Products Pvt. Ltd. Vs. Chief Commissioner of CT & GST & Ors. 2026-VIL-563-ORI (Orissa High Court)

This case before the Orissa High Court centered on the computation of limitation for filing an appeal under Section 107 of the CGST Act. The taxpayer challenged the appellate order rejecting its appeal as barred by limitation, contending that the Appellate Authority had erroneously computed the period prescribed for filing the appeal. The adjudication order was communicated on 15.10. 2025, and the appeal was filed on 13.02.2026. The appellate authority treated the delay as 31 days which is beyond the condonable limit and rejected the appeal.

The core issue before the Orissa High Court was whether the appeal had in fact been filed within the permissible condonable period, requiring proper interpretation of the term “month” and the method of computing limitation under the CGST Act in light of the General Clauses Act,1897 and the Limitation Act,1963.

The Orissa High Court held that the word “month” under Section 107 must be construed as a calendar month as per Section 3(35) of the General Clauses Act, and not as a fixed period of 30 days. The Court clarified that the date of communication of the order must be excluded while computing limitation, meaning the limitation period commenced from 16.10.2025. Consequently, the three-month period expired on 15.01.2026, and the condonable period of one month extended the outer limit to 15.02.2026.

Since the appeal was filed on 13.02.2026, the delay was only 29 days, falling within the condonable period. The Orissa High Court held that the appellate authority had committed an error apparent on the face of the record by miscalculating the delay and failing to consider the taxpayer's explanation for condonation. Accordingly, the impugned order was set aside and the matter was remanded for fresh consideration on merits

Intertek India Pvt. Ltd. Vs. Assistant Commissioner of Central Taxes and Central Excise, Kerala
2026-VIL-573-KER (Kerala High Court)

The taxpayer is a multinational company with multiple GST registrations across India. During the period July 2017 to March 2019, its parent company located outside India provided various IT and support services such as email systems, virus protection, and infrastructure management to its Indian units. Although the invoice for these services was issued in the name of the company's Delhi corporate office, the Kerala unit (the taxpayer) made the payment, discharged the applicable GST liability under the RCM, issued a self-invoice in accordance with Section 31(3)(f) of the CGST Act, and claimed ITC on the tax paid. Thereafter, the taxpayer cross-charged the said expenses to its distinct persons by raising tax invoices.

The Department denied ITC on the ground that the foreign supplier's invoice was issued in the name of the taxpayer's Delhi unit and alleged that the taxpayer had distributed ITC to its distinct persons without obtaining registration as an Input Service Distributor (ISD).

The Kerala High Court observed that under Section 9(3) of CGST Act read with Notification No. 10/2017-Integrated Tax (Rate) 28.06.2017, the liability to pay tax was cast upon the recipient of services. On the question of ITC eligibility, the Court examined and interpreted the definition of "recipient" under Section 2(93) of the CGST Act, which includes the person who is liable to pay the consideration for a supply. Since the taxpayer had discharged the consideration payable to the foreign supplier and paid GST under reverse charge, it qualified as the "recipient". The Kerala High Court held that, for the purpose of availing ITC, the relevant document would be the self-invoice raised by the taxpayer under Section 31(3)(f) read with Rule 36 of CGST Rules and not the invoice issued by the foreign supplier. Accordingly, the ITC availed by the taxpayer was held to be perfectly in tune with the statutory requirements and legally sustainable.

On the issue of ISD registration, the Kerala High Court held that the pre-amended Section 20 of the CGST Act was only an enabling provision prescribing the manner of distribution of credit and did not mandate that ITC must be distributed only through an ISD mechanism. Referring to the deliberations of the 50th GST Council Meeting, the

On the issue of ISD registration, the Kerala High Court held that the pre-amended Section 20 of the CGST Act was only an enabling provision prescribing the manner of distribution of credit and did not mandate that ITC must be distributed only through an ISD mechanism. Referring to the deliberations of the 50th GST Council Meeting, the FAQ on IT and IT-enabled services and the subsequent amendment introduced by the Finance Act, 2024, the Court observed that the requirement of mandatory ISD registration was introduced only prospectively. The Court further noted that the transactions were revenue neutral and had not resulted in any loss of revenue to the Government.

Consequently, the demand and penalty imposed by the tax authorities were declared legally unsustainable.

Tata Projects Limited, Assam & Ors. v. Union of India & Ors.
2026-VIL-568-GAU (Guwahati High Court)

The Guwahati High Court considered a batch of writ petitions involving a common jurisdictional issue as to whether a Proper Officer can issue a consolidated SCN and pass a common adjudication order covering multiple financial years under Sections 73 and 74 of the CGST Act.

The Guwahati High Court observed that Sections 73(1) and 74(1), which empower the Proper Officer to issue notices for recovery of tax, do not mandate that such notices must be restricted to a single financial year. Neither Section 73 nor Section 74 contains any statutory prohibition against issuance of a consolidated SCN for multiple financial years, provided the proceedings for each year are initiated within the prescribed limitation period. If a consolidated SCN includes a period that is time-barred, only that part would fail, while the remaining valid portions would survive per the doctrine of severability.

Accordingly, it upheld the jurisdiction of the tax authorities to issue consolidated SCN and orders covering multiple financial years and dismissed the jurisdictional challenge raised by the taxpayers.

JBN Impex Private Limited v. Additional Commissioner Adjudication CGST Delhi North & Ors.
2026-VIL-468-DEL (Delhi High Court)

The Delhi High Court dismissed a batch of writ petitions challenging the validity of consolidated SCN and adjudication orders issued under Section 74 of the CGST Act covering multiple financial years. The taxpayers contended that clubbing different financial years in a single proceeding was impermissible and relied on decisions of the Madras and Andhra Pradesh High Courts which had taken a contrary view, while also noting that the issue is pending before the Supreme Court.

The Delhi High Court held that the issue was no longer res integra in view of its earlier decisions in Ambika Traders [2025-VIL-806-DEL], Technosys Integrated Solutions Pvt. Ltd.[2026-VIL-271-DEL], and Vallabh Textiles [2024-VIL-1574-DEL], wherein it was consistently held that there is no statutory prohibition on such issuance of consolidated SCN for multiple financial years.

The Delhi High Court declined to depart from its settled view merely because other High Courts had expressed a different opinion and dismissed the writ petitions, upholding the validity of consolidated proceedings under Section 74 of the CGST Act.

Biocon Limited vs. State of Karnataka & Ors.
2026-VIL-543-KAR (Karnataka High Court)

The Karnataka High Court partly allowed the writ petition and significantly set aside the demand relating to alleged excess availment of ITC arising from mismatch between GSTR 3B and GSTR 2A. The High Court held that ITC on imports and Special Economic Zone (SEZ) procurements cannot be denied merely on account of a mismatch between GSTR-3B and GSTR-2A, particularly when such transactions were not reflected in GSTR-2A during the relevant period and the credits were duly supported by statutory documents like Bills of Entry (BOE) and correctly disclosed in the annual return. Holding that the mismatch arose due to incorrect disclosure in returns and not excess availment of credit, the Karnataka High Court set aside the demand, interest and penalty on the disputed ITC.

With respect to other issues such as corporate guarantee, cross charges, ineligible ITC, refund claims, Reverse Charge Mechanism (RCM) liability and concessional rate the Karnataka High Court found that the adjudicating authority failed to properly consider legal provisions and submissions, and therefore set aside those findings as well, remanding the matter for fresh adjudication in accordance with law.

Jayashree Enterprises Vs Assistant Commissioner (St), Udumalpet South Assessment Circle, Tiruppur III
2026-VIL-615-MAD (Madras High Court)

The taxpayer faced a demand on account of a discrepancy between the ITC claimed in GSTR-3B and the ITC reflected in GSTR-2A. The tax liability was subsequently discharged through the electronic credit ledger, and the taxpayer challenged the levy of interest under Section 50 of the CGST Act.

The issue before the Madras High Court was whether interest under Section 50 could be levied considering that the tax liability was discharged through the electronic credit ledger. The Madras High Court observed that Section 50(3) specifically deals with cases of "wrongly availed and utilised" ITC and that any ITC availed and utilised "while not eligible or entitled thereto" would fall within its scope. The Madras High Court reiterated the assssing officer's observations that GST credit had already been utilised by the taxpayer against the other tax dues before the actual date on which the credit has been utilised to set off the above said tax due.

Accordingly, the Madras High Court held that the demand of interest was valid, since the case involved wrongful availment and utilisation of ITC. The writ petition was therefore dismissed.

Notifications/circulars/instructions/advisory

Central Board of Indirect Taxes and Customs provides clarification regarding jurisdiction in cases involving migration/ transfer of taxable persons from one jurisdiction to another jurisdiction

CBIC has clarified that a taxpayer's migration to another GST jurisdiction due to a change in the Principal Place of Business does not invalidate proceedings already initiated or concluded by the erstwhile jurisdiction. Further, all subsequent stages of such proceedings shall be handled by the officer having current jurisdiction over the taxpayer.

Sr. No.	Clarification Sought	Clarified by CBIC
1.	Whether an action undertaken by the transferor jurisdictional authority before migration remains valid after transfer?	Where an action has been validly undertaken by the officer having jurisdiction over the registered taxpayer at that time, the action so taken remains valid, notwithstanding subsequent migration/transfer of the taxable person.
2.	Whether the transferor jurisdictional authority can take any action or initiate proceedings after migration?	The transferor jurisdiction authority shall not take any action or initiate proceedings against the taxable person, after he has migrated/transferred to another jurisdiction.
3.	Who shall be the authority competent to implement orders, continue proceedings, and handle appeals after migration?	The transferee jurisdictional authority shall take over and conclude the same from the stage at which it stood and shall be competent for all further actions, including consequential proceedings, appeals, and representation before appellate forums.

(Circular no. 255/01/2026-GST dated 25 June 2026)

Notifications/circulars/instructions/advisory

Extension of timeline for implementation of mandatory "Ship To GSTIN" and Voluntary Closure of E-Way Bill functionalities

The implementation timeline for mandatory capture of "Ship To GSTIN" in Bill-To/Ship-To transactions and the Voluntary Closure of E-Way Bill functionality has been extended from 15 June 2026 to 1 August 2026 to facilitate system readiness and a smooth transition for taxpayers and other stakeholders.

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