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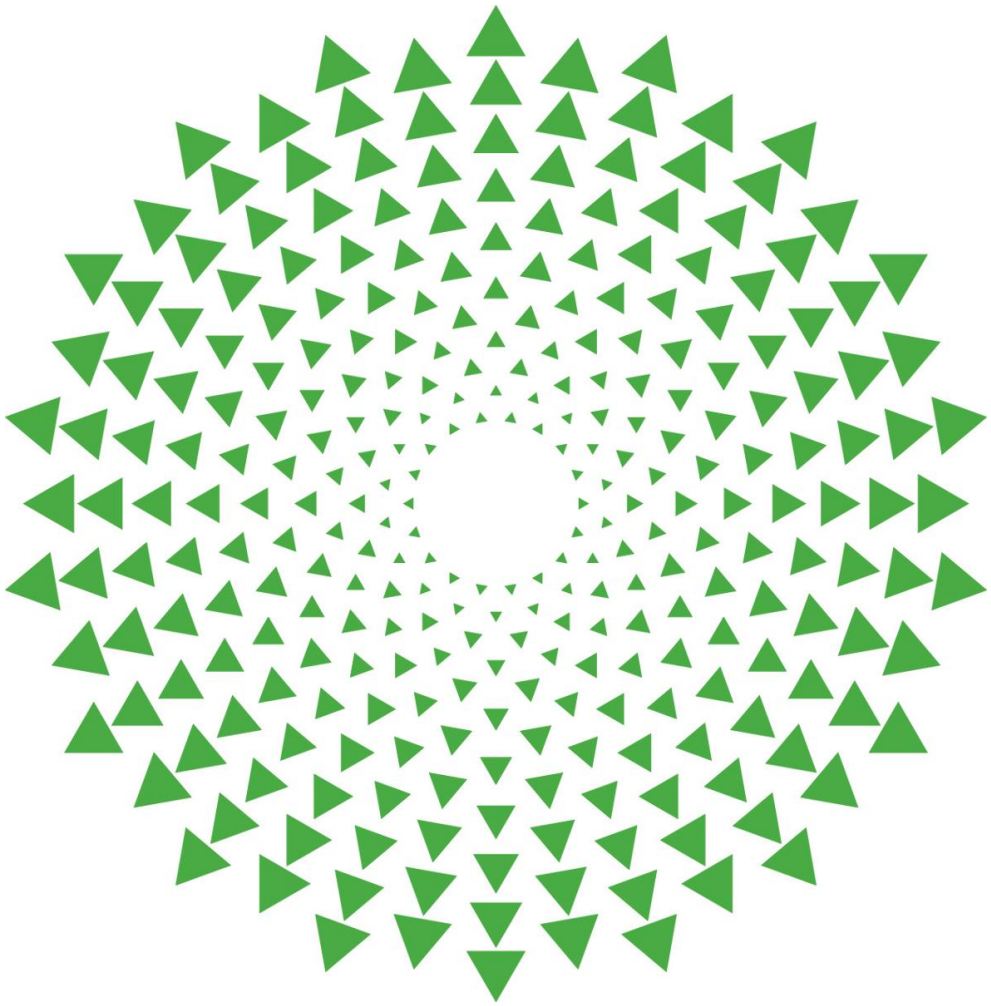

Indirect Tax newsletter

Indirect Tax updates

April 2026

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

GST

Union of India vs. Ruhi Siraj Makda - 2026-VIL-23-SC (Supreme Court)

The taxpayer, while filing GSTR-1, mistakenly reported the IGST amount as zero under Table 6A, leading to a zero refund despite the actual export of goods on payment of IGST. The Department denied the refund due to a mismatch between GST return data and customs data.

The Gujarat High Court (2025-VIL-875-GUJ) allowed the refund, holding that a refund cannot be denied merely on the ground of a difference between the GST return data and customs data, ignoring the representation made by the taxpayer along with the relevant documents to show goods were exported.

Special Leave Petition against the said decision filed by the revenue department was dismissed by the Supreme Court.

M/s Adani Wilmer Limited & Anr. vs. Assistant Commissioner of State Tax & Ors. - TS-127-HC(CAL)-2026-GST (Calcutta High Court)

Vide Notification No. 09/2022-Central Tax (Rate) dated 13.07.2022, which came into effect from 18.07.2022, the refund of unutilised input tax credit accumulated on account of an inverted duty structure was not allowed in respect of the supply of certain goods falling under chapters 15 and 27. Further, Circular No. 181/13/2022-GST dated 10.11.2022 clarified that the said restriction shall apply to all refund applications filed on or after 18.07.2022.

The issue before the Calcutta High Court was whether a refund could be denied in respect of an amount that had accrued prior to 18.07.2022, where the applications were filed on or after 18.07.2022 but within the timeframe prescribed by law.

The High Court held that the cause of action to apply for a refund accrued to the taxpayer on the date of filing of returns, and the right to claim such a refund would continue until the expiry of the prescribed period of two years. As the taxpayer had filed the refund applications within two years of the relevant date, as prescribed by law, the right to claim a refund cannot be curtailed by an executive circular that gives it retrospective effect.

Reliance was placed on the High Court judgements in the case of Patanjali Foods Ltd. ((2025) 28 Centax 75 (Guj)), Vaibhav Edibles Pvt. Ltd(2025) 37 Centax 199 (All.)., Shree Arihant Oil & General Mills (2025 (9) TMI-968) and Priyanka Refineries Pvt. Ltd. (2025-VIL-113-AP), where a refund was allowed in similar scenarios.

Reliance Jio Infocomm Ltd. vs. Union of India & Ors. - TS-137-HC(MAD)-2026-GST (Madras High Court)

The issue before the Madras High Court was whether Rule 39(1)(a) of the CGST Rules, 2017, which mandates the distribution of ITC by an Input Service Distributor (ISD) in the same month as the underlying invoice, is ultra vires the CGST Act, and arbitrary and violative of Article 14 of the Constitution of India.

The Madras High court held that distribution of ITC by an ISD must align with the conditions under Section 16(2) of the CGST Act i.e., ITC can only be distributed after it becomes legally available, which requires fulfillment of all conditions under Section 16(2), such as receipt of the invoice, receipt of goods or services, payment of tax to the government and filing of returns. Mere receipt of invoice does not entitle the registered dealer to claim to be entitled to ITC without fulfillment of other conditions enumerated therein.

The key observations of the High Court:

- The Court emphasized the need for a harmonious interpretation of Sections 16 (eligibility and conditions for taking ITC) and 20 (manner of distribution of credit by ISD) of the CGST Act read with Rule 39(1)(a) of the CGST Rules.

- Rule 39(1)(a) of the CGST Rules mandates that ITC available for distribution in a month must be distributed in the same month. The term “ITC available for distribution” must be interpreted to mean ITC that has become available after fulfilling the conditions under Section 16(2). The requirement to distribute ITC in the same month applies only to ITC that becomes so available.

- The language does not talk of distribution of “invoice”, but of “credit”. It is thus clear that what is available for distribution is not the tax invoice, but the ITC.

It is to be noted that in this case though the taxpayer challenged the validity of Rule 39(1)(a) for period prior to 1 April 2025 contending that Section 20 did not empower the Central Government to prescribe the time limit within which the ISD was required to distribute credit, the High Court observed that is not a case where Rule 39(1)(a) of the Rules is required to be declared ultra vires the enabling Act considering that the provision contained in Sections 16 and 20 of the CGST Act read with Rule 39 of the CGST Rules are required to be applied as above.

In the case of *BirLaNu Limited v. UOI and Ors. 2026-VIL-26-Tel*, the High Court observed that prior to 1 April 2025, Section 20 of the CGST Act did not prescribe any time limit for such distribution by ISD. The provision merely required that credit be distributed "in such manner as may be prescribed". Rule 39(1)(a) of the CGST Rules goes beyond the scope of the parent statute. The Court struck down Rule 39(1)(a) of the CGST Rules insofar as it mandates that ITC available for distribution in a month shall be distributed in the same month for the period prior to 1 April 2025.

The South Indian Bank Ltd vs Joint Director, Directorate General of GST Intelligence [TS-162-HC(KER)-2026-GST (Kerala HC)

Section 17(4) of the CGST Act provides banking companies with the option to claim 50 percent of the eligible ITC, and the remaining 50 percent would lapse. Depreciation is being claimed in respect of the ITC that lapsed. Section 16(3) of the CGST Act prohibits ITC on the tax component of capital goods if depreciation is claimed under the Income Tax Act on the said tax component.

The issue before the Kerala High Court was whether claiming depreciation under the Income Tax Act on lapsed ITC would deprive the taxpayer of the entire ITC benefit.

The High Court held that the prohibition under Section 16(3) applies only to the tax component on which depreciation is claimed, as indicated by the phrase "the said tax component", and cannot be applied in respect of a portion of input tax for which no depreciation is claimed.

The key observations of the High Court are as follows:

- The unavailed 50 percent ITC lapses and cannot be considered as a tax component for the purpose of either ITC or depreciation.
- Section 16(3) aims to prevent double benefits arising on account of depreciation and ITC. However, in the present scenario, as no ITC is claimed on the unavailed portion, there is no double benefit.
- Section 17(4) creates a deeming fiction, treating the unavailed 50 percent ITC as attributable to exempt supplies in alignment with Section 17(2), which restricts ITC to the portion attributable to taxable supplies when goods/services are used for taxable and exempt supplies. It is pertinent to note that whenever depreciation claimed for the exempt supply is concerned, the prohibition contemplated under Section 16(3) would not be attracted; the same shall not apply in case of 50 percent unavailed ITC.

Haryana State Electricity Regulatory Commission vs. Union of India & Ors. - 2026-VIL-246-P&H (Punjab & Haryana High Court)

The issue before the Punjab and Haryana High Court was whether the regulatory functions discharged by the Electricity Regulatory Commissions, such as regulation of tariff, inter-State transmission of electricity and issuance of licences, could be construed as activities undertaken or functions discharged in furtherance of business under the GST law, thereby attracting the GST on the amounts received by the taxpayer as tariff petition fees and licence fees.

The taxpayer contended that the amounts received were in discharge of statutory and quasi-judicial functions under the Electricity Act, 2003, and therefore, could not be subjected to GST.

The Punjab and Haryana High Court placed reliance on the decision of the Delhi High Court on a similar matter in the case of Central Electricity Regulatory Commission vs. DGGI (2025-VIL-46-DEL). It was held that the regulatory power wielded by the Commissions under the Electricity Act to carry out the above-mentioned activities is not in furtherance of business but is in extension of the statutory obligation placed upon a Commission.

The High Court evaluated the nature of the regulatory functions performed by the Electricity Regulatory Commissions (ERCs) under the Electricity Act, 2003, and determined that these functions are statutory and quasi-judicial in nature. Considering the exclusion of services rendered by courts or tribunals under Schedule III of the CGST Act, it was concluded that ERCs are quasi-judicial bodies akin to courts or tribunals. Consequently, their functions are not subject to GST.

Accordingly, GST would not be applicable to the tariff petition fees and licence fees received by the taxpayer.

Additional Commissioner of Central Tax vs. Vigneshwara Transport Company - 2026-VIL-267-KAR (Karnataka High Court)

The Karnataka High Court, in this case, examined the validity of a show cause notice issued under Section 74 of the CGST Act, where evidence was seized during search and seizure proceedings conducted under Section 67 by officers of another Commissionerate.

The single bench had set aside the show cause notice, observing that the search conducted under Section 67 was void ab initio and that the notice issued under Section 74, which was founded on such search, could not be sustained.

Setting aside the findings of the single bench, the Division Bench has held as follows:

- Proceedings under Section 74 are independent in nature and are not contingent upon action taken under Section 67.
- Relying on the Hon'ble Supreme Court in the case of *Pooran Mal v. Director of Inspection (Investigation), New Delhi 1973-VIL-31-SC-DT,* it was held that evidence obtained, even if irregularly, is not liable to be excluded so long as it is relevant to the matter in issue.
- There is no bar to allow the proper officer to rely upon material gathered during investigations conducted by officers of another Commissionerate.
- It is open to the taxpayer to raise all permissible contentions regarding the relevancy of such material during adjudication under Section 74 of the CGST Act.

Bhawana Steel Traders vs. Joint Director, DGGI - TS-168-HCBOM-2026-GST (Bombay High Court {Nagpur Bench})

The issue before the Bombay High Court was whether the clubbing of multiple financial years or tax periods into a single Show Cause Notice (SCN) is permissible under Section 74 of the Central Goods and Services Tax Act, 2017 (CGST Act). In this case, it has been alleged that there is suppression of taxable value, i.e., short payment of GST and fraudulent availment of ITC.

The High Court held that Section 74 of the CGST Act does not permit the issuance of consolidated SCNs for multiple financial years, even in cases of fraudulent ITC claims. The court observed as follows:

- The Court highlighted the statutory scheme of the CGST Act, which ties tax liability to specific financial years and prescribes a three-year and five-year limitation period for issuing assessment orders under Sections 73(10) and 74(10), respectively.
- The CGST Act requires tax assessments to be conducted separately for each financial year, and consolidated SCNs for multiple years violate this statutory scheme.
- The five-year limitation period for issuing assessment orders operates separately for each financial year.
- Consolidating multiple financial years in a single SCN undermines the taxpayer's ability to respond effectively and violates the explicit year-wise structure of the CGST Act.
- The Court distinguished the Delhi High Court's judgment in the case of M/s. Mathur Polymers v. UOI (W.P.(C) 2394/2025), noting that the Bombay High Court's judgments in Milroc Good Earth Developers (Writ Petition No. 2203/2025) and Rite Water Solutions (Writ Petition No. 466/2025) were subsequent and binding within the jurisdiction of the Bombay High Court.

Technosys Integrated Solutions Pvt Ltd - 2026-VIL-271-DEL (Delhi High Court)

The issue before the Delhi High Court was whether the consolidation of multiple financial years in a single SCN and order-in-original (OIO) under Sections 73/74 of the CGST Act is permissible, particularly in interpretational disputes involving classification and rate issues rather than fraudulent availment of ITC.

The Division Bench upheld the validity of consolidating multiple financial years into a single SCN and OIO. It is observed as under:

- The expressions "for any period" or "for such periods" in Sections 73 and 74 allow for the consolidation of multiple financial years.
- The Court rejected the taxpayer's argument that the Delhi High Court judgment in the case of *Ambika Traders 2025-VIL-806-DEL* applies only to cases involving fraudulent ITC availment. It stated that the judgment explicitly contemplates and accepts the consolidation of SCNs for multiple financial years under Sections 73 and 74, irrespective of whether fraud is involved. It was further observed that the High Court remains bound by its own precedent, notwithstanding contrary views of other High Courts.
- The Court emphasized that the mere pendency of similar proceedings before the Supreme Court does not affect the binding nature of the Ambika Traders judgment.

Assistant Commissioner of Central Taxes & Ors. v. Merck Life Science Pvt. Ltd. - [TS-183-HC(KAR)-2026-GST]

The issue before the Karnataka High Court is whether the two-year limitation period prescribed under the CGST Act for filing a refund claim is mandatory or directory, and what is the mechanism for condoning the delay in filing the refund application under Section 54 of the CGST Act.

In this case, the taxpayer was an intermediary service provider to foreign entities and earned commission income from those entities. It paid Integrated Goods and Services Tax (IGST) on the same for October 2017. Later, it reclassified the transaction as an intra-State supply and paid Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST) in March 2018.

The refund claim for the IGST paid was rejected as it was filed beyond the two-year limitation period prescribed under Section 54 of the CGST Act.

The judge had allowed the writ petition, holding that the limitation under Section 54 is directory, not mandatory, and directed the authorities to process the refund claim. The revenue department argued that the two-year limitation under Section 54 is mandatory.

The division bench of the High Court held that the two-year limitation period prescribed under Section 54 is mandatory because it aligns with the broader scheme of the Act, particularly with the timelines prescribed under Sections 73 and 74 (adjudication provisions) of the CGST Act. These sections deal with the determination of tax not paid, short paid, erroneously refunded or ITC wrongly availed or utilised. The two-year limitation under Section 54 ensures that refund claims are filed within a timeframe that allows the proper officer to take appropriate remedial actions under Sections 73 and 74, if necessary.

Furthermore, in cases of genuine hardship, the taxpayer may invoke the High Court's writ jurisdiction under Article 226 of the Constitution of India to condone the delay. It emphasized that no tax can be retained without lawful authority. However, such condonation must ensure that the proper officer retains the ability to invoke Sections 73 and 74, even if the limitation period under those sections has expired. This ensures a fair and balanced approach to addressing taxpayer grievances and revenue concerns.

ITI Ltd. v. Union of India & Ors. - [TS-191-HC(GAUH)-2026-GST]

The taxpayer admitted to errors in GSTR-1 for FY 2018-19, where the tax rate for four invoices was incorrectly reported as 18% instead of 12%, and a credit note was wrongly mentioned. The Revenue treated the excess liability shown in GSTR-1 as "self-assessed tax" under Section 75(12) of the CGST Act and imposed tax liability without granting the taxpayer an opportunity to explain. Further, the taxpayer filed GSTR-3B for March 2019 on March 13, 2021, beyond the due date of October 20, 2019, as per Section 16(4) of the CGST Act. The Revenue denied ITC on the grounds that the return was filed after the permissible date.

Mismatch between GSTR-1 and GSTR-3B

The High Court directed that the taxpayer be granted an opportunity to explain the mismatch and provide a necessary explanation to the revenue. Key observations are as follows:

- The mismatch between GSTR-1 and GSTR-3B was due to bona fide errors, as admitted by the taxpayer.
- Per Section 37(3) of the CGST Act, errors in GSTR-1 can be rectified.
- The Supreme Court's judgment in Aberdare Technologies Pvt. Ltd. 2025 (4) TMI 101 allowed rectifications of bona fide errors in returns.
- The revenue department failed to issue a notice under Rule 88C of the CGST rules, which mandates an opportunity for the taxpayer to explain discrepancies before imposing liability.

Denial of Input Tax Credit (ITC)

The High Court held that the taxpayer filed the return on 13 March 2021, well within the extended timeline under Section 16(5) of the CGST Act and was entitled to claim ITC for the returns filed for FY 2018–19.

Ponnusamy Thangaraj - (2026) 40 Centax 70 (A.A.R. - GST - T.N.)

In this case, the taxpayer had purchased a new motor car for the proprietor's use, and capitalised it in the business books without claiming ITC or depreciation for the financial year 2025–26 (as the car was purchased in April 2025).

The issue before the Tamil Nadu Authority for Advance Ruling (AAR) was whether the taxpayer was required to pay GST on the full sale value or only on the profit/margin from the subsequent sale of the used car.

Rule 32 of the CGST Rules, 2017 provides a margin-based valuation method for persons dealing in second-hand goods. Furthermore, Notification No. 8/2018-Central Tax (Rate), dated 25-01-2018, which specifies concessional GST rates for old and used vehicles, has clarified the methodology for computing the margin in cases where depreciation is claimed under the Income Tax Act and where it is not.

The AAR held that the margin-based valuation method under Rule 32 and Notification No. 8/2018 is applicable only to persons engaged in the business of dealing in second-hand goods. As the taxpayer is not engaged in the business of buying and selling second-hand goods, they do not qualify for the subject scheme. In addition, the car was originally purchased new, and the taxpayer's transaction does not fall within the scope of second-hand goods as defined in the relevant provisions. Consequently, the margin-based valuation method is not applicable, and the taxpayer is required to pay GST on the full transaction value (i.e., the full sale consideration) under Section 15(1) of the CGST Act, 2017.

M/s Liberty Square Apartment Owners Association
2026-VIL-56-AAR

The issue for consideration before the Karnataka Authority for Advance Ruling was whether corpus fund contributions collected by an apartment owners' association from its members constitute "consideration" for a supply under the CGST Act and thereby attract GST, and if so, what would be the time of supply.

The AAR held that:

- The association and its members are distinct persons by virtue of the explanation to Section 7(1)(aa), and the taxpayer's reliance on the doctrine of mutuality was rejected. The amounts collected towards the corpus fund are advances for future supply of service and not deposits. It would be subject to GST under SAC 999598 – "Services of Membership Organisation – Homeowners Association".

- Such a corpus fund can be treated as separate and independent from monthly maintenance charges.

- GST becomes payable at the time of collection/receipt of corpus funds, as the time of supply is receipt of the advance amounts in terms of Section 13(2)(a) of the CGST Act.

A V Cargo Migrators LLP - TS-186-AAR(TN)-2026-GST (Tamil Nadu AAR)

The taxpayer operated a digital platform that connects vehicle owners/drivers (transporters) with customers. A commission was payable by the transporter to the taxpayer after completion of each transportation job. Customers could book transporters through the taxpayer's online platform or mobile app.

The issue before the Authority for Advance Ruling was whether the taxpayer, engaged in operating a digital platform connecting transporters with customers for the transportation of goods, qualified as a Goods Transport Agency (GTA) or as an E-commerce Operator (ECO) under the CGST Act, and the consequent taxability of its services provided.

The AAR held as follows:

- The taxpayer is neither a GTA nor an agent. It itself does not provide transportation of goods but facilitates the provision of services through the taxpayer's online platform and therefore is an ECO.
    - The taxpayer cannot be regarded as a "pure agent" as the prescribed statutory conditions under Rule 33 of the CGST Rules were not fulfilled.
    - The services provided by the taxpayer were not among the listed activities for applicability of Section 9(5) of the CGST Act. As per section 9(5), an ECO is liable to pay tax as if he is the supplier of such services.
- The taxpayer earns commission income from the transporters and is liable to pay GST on the same.
- The taxpayer would be liable to collect TCS at the specified rate on the net value of taxable supplies made through it by the transporter, where the consideration for such supply of transportation has to be collected by the taxpayer.
    - This is irrespective of whether the consideration paid is by the customer directly to the transporter or paid to the transporter through the taxpayer's e-commerce platform.

Notifications/circulars/instructions

Advisory on the payment of pre-deposit while filing an appeal before the First Appellate Authority

An advisory issued by the GST Network (GSTN) to guide taxpayers on the process of making pre-deposit payments while filing appeals before the First Appellate Authority, particularly addressing issues related to payments made through Form GST DRC-03. GST portal does not automatically recognise payments made through Form GST DRC-03 as pre-deposit payments, as they are not linked to any Demand ID and do not appear as adjusted in the liability register. To address this, taxpayers must file Form GST DRC-03A to link the payment made through Form GST DRC-03 to the relevant Demand ID. A manual on linking a Demand ID to Form GST DRC-03 through Form GST DRC-03A is available on the GST portal.

(GST advisory dated 14 March 2026)

Advisory regarding confirmation of "Tax Liability Breakup, As Applicable" in GSTR-3B

The GSTN has issued an advisory that from February 2026 tax period onwards, the GST Portal auto populates the "Tax Liability Breakup, As Applicable" tab in GSTR 3B to identify tax relating to earlier tax periods based on the document dates of supplies reported in GSTR 1, GSTR 1A or IFF, that is being paid in the current period, in line with Section 50 of the CGST Act (interest provisions). Taxpayers must open this tab and click "SAVE" (after edit, if required) before filing GSTR 3B.

Although the confirmation is currently required in all cases (even where no prior period liability exists), GSTN has acknowledged this issue and is working on a resolution. Until then, taxpayers should mandatorily save the tab to complete GSTR 3B filing successfully.

(GST advisory dated 16 March 2026)

Government notifies GST Settlement of Funds Rules, 2026

The Ministry of Finance has notified the Goods and Services Tax (Settlement of Funds) Rules, 2026. They shall be deemed to come into force from 1 April 2025, replacing the earlier Goods and Services Tax Settlement of Funds Rules, 2017.

(Notification G.S.R. 225(E). dated 30.03.2026)

Notifications/circulars/instructions

Amendments to Rule 164 of CGST Rules, 2017

The Central Government has notified Notification No. 11/2025–Central Tax dated 27 March 2025, amending Rule 164 of the CGST Rules, 2017, which deals with procedure and conditions for closure of proceedings under Section 128A (GST amnesty scheme) in respect of demands issued under Section 73. Summary of key changes is as follows:

- An explanation has been inserted per which refund shall not be available for any tax, interest or penalty already paid for the entire period prior to the commencement of these rules, where a notice, statement or order covers tax demands partly for the period specified under section 128A and partly for other periods.

- A proviso has been inserted providing that where a notice or order includes mixed period demands, the applicant need not withdraw the entire appeal; instead, the taxpayer may intimate the appellate authority that the appeal is not being pursued for the period specified in section 128A(1). The relevant authority will then pass an order for the other period as deemed appropriate.

(Notification No. 11/2025–CT dated 27.03.2026)

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