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GST Digest

- Recent case laws

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➤ GST Council may discuss uniform 12% rate for textile sector by September

A proposal to introduce a uniform 12 percent Goods and Services Tax (GST) across the textile value chain may be taken up by the GST Council before September as part of the next phase of GST reforms, a senior government source told Moneycontrol. The plan, which may form part of the Group of Ministers' (GoM) rate rationalisation report, is said to be backed by the Centre. It seeks to correct the inverted duty structure that has long affected the sector. Currently, cotton is taxed at 5 percent, yarn at 12 percent, and synthetic fibres and the chemicals used to make them at 18 percent. Garments priced below Rs 2,000 attract a 5 percent GST, while those priced above Rs 2,000 are taxed at 12 percent. "Correction of textile inverted duty is pending. Cotton is at 5 percent – it's a farm produce logic, but it is not working. It is no longer delivering the intended benefit in the context of GST. Yarn is at 12 percent. The proposal is to bring everything to 12 percent," the source said

➤ FM SITHARAMAN CLARIFIES GST ISSUE RELATED TO APARTMENT ASSOCIATIONS

Finance Minister Nirmala Sitharaman clarified in Parliament on Monday that apartment associations are required to register under GST if their aggregate turnover exceeds Rs 20 lakh (Rs 10 lakh in special category states) in a financial year and the associations are required to pay GST only where the



maintenance charged is more than Rs 7,500 per month per member. The Finance Minister further stated that apartment associations having maintenance charges up to Rs 7,500 per month per member or having aggregate turnover of goods and services below the threshold need not be registered under GST. The Finance Minister further stated that apartment associations having maintenance charges up to Rs 7,500 per month per member or having aggregate turnover of goods and services below the threshold need not be registered under GST.

➤ **GST COLLECTION HAS CLOCKED DOUBLE DIGIT GROWTH IN APRIL-JUNE QUARTER: MINISTER**

The average monthly net GST collection has risen by a robust 10.7 per cent to Rs 1,80,774 crore in the first quarter (April-June) of the current FY 2025-26, compared to the average monthly net GST collection of Rs 1,63,319 crore in the same quarter of the previous year, Minister of State for Finance Pankaj Chaudhary informed the Parliament on Tuesday. A number of measures have been taken by the government on the recommendations of the GST Council for the benefit of the small business sector, the minister said in a written reply to a question in the Rajya Sabha. These steps include exempting small and medium enterprises from the need to obtain GST registration if the persons involved in intra-state taxable supply of goods, if their aggregate turnover in a financial year does not exceed Rs 40 lakh (Rs 20 lakh for certain special category states)

➤ **ODISHA DECENTRALISES FOOD POLICY APPROVALS, EXTENDS CHECK DAM SCHEME AND AMENDS GST RULES**

In a significant move to decentralise the decision-making process in the food processing sector, the state cabinet chaired by Chief Minister Mohan Charan Majhi on Friday approved the MSME department's proposal for enhancing the administrative authority for according approval of fiscal incentive claims under the Odisha Food Processing Policy 2016. Under the amended provision, the state-level committee (SLC) with MSME secretary as chairperson has been authorised to approve fiscal incentive claims of the promoter on an investment in plant machinery of more than Rs 10 to Rs 50 crore. Prior to these policy changes, the secretary had the limitation to consider and accord approval of incentives for more than Rs 25 lakh up to Rs 1 crore.

➤ **STATE DEPARTMENT TO PILOT 'FACELESS ADJUDICATION' SYSTEM W.E.F 01ST AUGUST, 2025**

Starting August 1, the Kerala SGST Department has launched a faceless adjudication system in Pathanamthitta and Idukki districts, making Kerala the first Indian State to implement this for indirect taxes. Under this system, taxpayers and adjudicating authorities won't have direct contact—all communication, from show-cause notices to final orders, will be handled digitally. The initiative, announced in the 2025 State Budget, aims to ensure fair, transparent, and unbiased tax proceedings.



Hearings will be conducted via online platforms, and documents can be submitted through the GST common portal. While the Centre has a similar system for income tax, Kerala is pioneering it for GST.

1. [MADRAS HIGH COURT ORDERS REFUND OF GST TO SEZ UNIT FOR MISTAKEN PAYMENTS](#)

Urjita Electronics Pvt Ltd., an SEZ unit, filed a refund claim for GST paid by its suppliers on goods/services supplied to it. The suppliers had paid GST mistakenly because Urjita's SEZ status wasn't properly updated on the GST portal. The GST department rejected the refund, stating that only suppliers—not SEZ units— can claim refund for such zero-rated supplies under Rule 89 of the CGST Rules. Urjita argued that it bore the tax cost and should be eligible for refund under Section 54 of the CGST Act, especially since the suppliers did not claim it. **The Madras High Court** allowed the refund, holding that SEZ units can claim a refund if they prove the suppliers haven't claimed it, and clarified that the SEZ Act has overriding effect over the GST rules.

2. [W.P. No. 9793 of 2024 – Tamil Nadu State Transport Corporation \(Villupuram\) Ltd. vs. Additional Commissioner of Central Tax:](#)

The petitioner (a State Transport Corporation SE) faced issues in filing GSTR-3B returns from July 2017 to July 2019 due to technical glitches and digital signature problems after their MD retired. Despite this, they deposited the full tax amount in their Electronic Cash Ledger each month. However, the GST department levied interest and penalties, arguing that the actual tax payment occurred only when the returns were filed in August 2019 (not when the cash was deposited).

The Madras High Court held that interest does not accrue once the tax amount is deposited in the Electronic Cash Ledger—even if returns are filed later—citing Rule 88B(1) of the CGST Rules and earlier precedent (*Eicher Motors case*).

Outcome:

The Court quashed the levy of interest, but left open the possibility of further proceedings if there were any actual delays in tax *payment*, not just return *filing*.

3. [ALSTOM TRANSPORT INDIA LIMITED \(KARNATAKA HC\) WP NO.1779 OF 2025 \(T-RES\) \(DOJ: 15.07.2025\)](#)

During the disputed period from July 2017 to March 2023, the petitioner avers that employees of its overseas group companies were seconded to work in India for a fixed tenure. The petitioner asserts that it executed employment agreements with each of these expatriate employees, detailing their appointments, salaries, and allowances. It is further submitted that during the term of their Secondment, these expatriates were placed on the payroll of the petitioner in India, and their salaries were paid directly by the petitioner. Accordingly, in light of the statutory exclusion under Schedule III and the clarificatory Circular issued by the CBIC, this Court holds that the Secondment arrangement in the present case does not give rise to any tax liability, and the impugned demand raised by the Revenue is liable to be set aside.

4. [TIRTH AGRO TECHNOLOGY PVT. LTD. \(SC OF INDIA\), SLP \(CIVIL\) DIARY NO. 31632/2025](#)

The Delhi High Court had ruled that license fees collected by Electricity Regulatory Commissions are statutory in nature under the Electricity Act, 2003, and not a consideration for any supply of service. Hence, GST is not applicable on such fees.

The Supreme Court dismissed the SLP filed by the DGGI against this ruling, confirming that these functions — such as tariff regulation, inter-state transmission, and licensing — are quasi-judicial and not commercial.

5. [In the case of M/s Lalwani Ferro Alloys Ltd. vs. Assistant Commissioner, CGST & CX \(Calcutta High Court, WPA 13913 of 2025, dated 16.07.2025\)](#)

The petitioner challenged ITC denial on supplies received from a supplier who had defaulted on GST payment but was undergoing CIRP under the IBC. Though the supplier had filed GSTR-1, it failed to file GSTR-3B. The petitioner argued that the supplier's tax liabilities were extinguished under an NCLT-approved resolution plan and the tax department had failed to file its claim in the insolvency process. The Court stayed recovery proceedings, subject to partial deposit, and directed both parties to submit relevant documents. While not giving a final ruling, the Court recognized that ITC denial under Section 16(2)(c) may not be justified when the supplier's default is involuntary and resolved under IBC, and raised an arguable question of law requiring further examination.

6. [BARKHA BANSAL VS. STATE OF U.T., CHANDIGARH & OTHERS & BHARAT LAL VS. DIRECTORATE GENERAL, GOODS & SERVICE vide CRWP-6077-2025 \(O&M\) & CRM-M-36725-2025 dated 18.07.2025](#)

In the case of Barkha Bansal & Bharat Lal vs. DGGI, the Punjab & Haryana High Court held that detaining a person overnight without formal arrest violates constitutional rights under **Articles 21 and**

22. The petitioners were kept in DGGI custody for over 30 hours, without legal counsel and outside working hours, under alleged coercion. The Court ruled this as **illegal custody**, stating that statements must be recorded **during office hours, in presence of counsel**, and with **CCTV surveillance if requested**.

It also found the arrest procedure flawed due to the **absence of a mandatory Document Identification Number (DIN) and mechanical approval without proper evaluation**. The Court allowed the habeas corpus petition, ordered immediate release, and directed the DGGI to follow procedural safeguards and review the incident internally.

7. [SAYAN BISWAS v. DEPUTY COMMISSIONER OF REVENUE & ORS. Vide WPA 4237 of 2025 dated 21.07.2025](#)

The Calcutta High Court in Sayan Biswas v. Deputy Commissioner of Revenue held that once a proceeding under **Section 74** of the CGST Act is concluded, the **same matter** cannot be reopened under **Section 73**, as both sections are **mutually exclusive**. Since ITC claims for the same period (FY 2019–20) were already adjudicated under Section 74, raising them again in a fresh Section 73 notice was **impermissible**. However, the Court upheld demands related to **RCM and output tax**, which were based on **distinct grounds**. Accordingly, the Court **quashed the overlapping ITC demand**, set aside the related DRC-07 order, and directed the department to issue a **revised demand** excluding the quashed portion.

8. [UMICORE AUTOCAT INDIA PRIVATE LIMITED, \(AFTER AMALGAMATION OF M/S UMICORE ANANDEYA INDIA PRIVATE LIMITED\) VERSUS UNION OF INDIA AND OTHERS vide WRIT PETITION NO. 463 of 2024 dated 10.07.2025,](#)

The Bombay High Court in Umicore Autocat India Pvt. Ltd. v. Union of India ruled that **Input Tax Credit (ITC)** can be **transferred between entities in different States** during a valid **amalgamation**. It held that **Section 18(3)** and **Rule 41** of the CGST

Act **do not restrict ITC transfer based on State** and the GST portal's error blocking such transfers is **not supported by law**.

The Court clarified that the "distinct person" concept under Section 25(4) does **not override the right to ITC transfer** in mergers. It directed that the petitioner's ITC transfer request be allowed, stating that **technical portal issues cannot deny lawful tax benefits**.

9. [In M/s Bhawya Enterprises & Ors. v. Assistant Commissioner, State Taxes & Excise \(HP HC, CWP 11694, 11696 & 11697 of 2025\)](#)

The **Himachal Pradesh High Court** held that **premature recovery of tax demand**, without recording reasons and **before the appeal period expired**, violates the **statutory appeal process under Section 107** of the CGST Act. The department had recovered tax within **five days of the adjudication order**, disabling the taxpayers from filing appeals, as the GST portal treated the amount as **admitted tax**, not as the **required 10% pre-deposit**. Even after admitting the mistake, the department failed to refund or reverse the amount. The Court ruled the recovery **illegal**, directed the **refund/reversal** with interest, and stressed that the **State must act promptly** to rectify departmental errors and avoid **unnecessary litigation**. The merits of the tax demand remain open to appeal.