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#### **GST Digest**

- Recent case laws

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#### > NEW GST REGIME WILL BE CONSUMER-CENTRIC, SAYS CENTRE

The new GST regime previewed by Prime Minister Narendra Modi in his Independence Day address would be consumer-centric, with particular emphasis on the poor, the MSMEs, the middle class and the farmers, senior government sources said on Sunday (August 17, 2025). The new two-tier Goods and Services Tax (GST) structure of 18% and 5% rates will have the twin objective of making rates and processes simpler and more rational, as it was originally intended to be, the sources said. "This has been in the making for a while. Our learning from the last eight years is going into this, and this will be a fundamental change in the template of taxation," one senior functionary said. "The new GST regime will make our taxation more equitable, and will see reduced taxes on what these four categories consume. The template will be more from the consumers point of view, and it will be put to and explained to the States from the consumers point of view."

> GST RATE REJIG IN REFORMS TO BENEFIT COMMON MAN, FARMERS, MIDDLE CLASS: FM NIRMALA SITHARAMAN TELLS GROUP OF MINISTERS

Finance Minister Nirmala Sitharaman on Wednesday,20th August,2025 told a Group of Ministers that the rate rejig in GST reforms will provide relief to common man, farmers, middle class and



MSMEs. These "next generation GST reforms" are aimed at making India Aatmanirbhar, she told to the GoM during a meeting, adding that the Centre committed to building broad-based consensus with states on next-gen GST reforms. "The next-gen GST stands on three pillars of structural reforms, rate rationalisation and ease of living," Sitharaman said during a meeting with the GoM. During the meeting with GoMs on GST rate rationalisation, insurance taxation and compensation cess, Sitharaman "emphasised that the proposal by the Central Government is with a vision to usher in the next generation of GST reforms in India's journey towards becoming #AtmanirbharBharat."

#### > PROPOSED GST RATE TWEAKS ON AUTOMOBILES TO END CLASSIFICATION DISPUTES

In upcoming sweeping reforms, the GST on automobiles - currently in the highest tax bracket - will be restructured to resolve classification disputes related to engine capacity and vehicle size, ultimately benefiting the common man, according to government sources. Presently, automobiles are taxed at 28 per cent, which is the highest GST slab. A compensation cess, ranging from 1 to 22 per cent, is levied on top of this rate, depending on the type of vehicle. The total tax incidence on cars, depending on engine capacity and length, ranges from 29 per cent for small petrol cars to 50 per cent for SUVs. Electric vehicles are taxed at a 5 per cent rate. Sources said, as per the Centre's proposal for moving the GST system to a two-tier rate structure of 5 and 18 per cent and a 40 per cent slab for a select few items, automobiles will be placed in a slab to put an end to disputes arising due to the classification of cars by engine capacity and length.

# > GST REFORMS PUSH: STATES BACK CENTRE'S PLAN TO EXEMPT LIFE AND HEALTH INSURANCE PREMIUMS, GST COUNCIL TO TAKE FINAL CALL

GST on individual life and health insurance policies may soon be exempt, with states backing the Centre's proposal to bring tax on such premium payments down to 'nil' from the current 18 per cent. Groups of Ministers (GoMs) on Health and Life Insurance and on Compensation Cess met on Wednesday to consider the Centre's "next-gen" GST reforms plan. The proposal aims to streamline rates to two slabs—5 per cent and 18 per cent—with a special 40 per cent levy on 5–7 items, including sin goods, PTI reported. Union finance minister Nirmala Sitharaman, addressing the meetings, said the reforms would be in line with the government's push for an Atmanirbhar Bharat. Bihar deputy chief minister Samrat Choudhary, who convenes the GoM on insurance, told reporters.

# > NO GST RELIEF ON SIN GOODS: TAX INCIDENCE ON CIGARETTES, TOBACCO TO REMAIN UNCHANGED

As the Centre pushes ahead with plans to simplify the GST rate structure, sin and demerit goods including cigarettes, chewing tobacco and gutka- will remain under high tax slabs, with no change in overall tax incidence, an official source said. Though a special 40% GST rate is being proposed as the upper cap under the new two-rate system, sin goods will be kept outside this framework.



These products already attract significantly higher levies through compensation cess. Currently, chewing tobacco faces a 160% cess, gutka 204%, and cigarettes are taxed heavily through a mix of GST, cess and National Calamity Contingent Duty – pushing their effective tax burden well beyond the proposed ceiling. However, with the Compensation Cess regime ending in March 2026, both Centre and states could explore options of tax treatments on sin goods, to ensure that both public health objectives and revenue needs are met. The issue will be discussed at the upcoming two-day GST GOM meeting on Aug. 20-21, chaired by the Bihar deputy chief minister, where broader rate rationalisation and slab restructuring will be on the agenda – but with sin goods firmly insulated from any tax relief.

### ➤ GST REFORMS: SBI SEES RS 1.98 LAKH CRORE CONSUMPTION BOOST: WARNS OF RS 85,000 CRORE ANNUAL REVENUE HIT

The Centre's proposed two-tier GST structure — 5% for merit goods, 18% for standard items, and 40% on select demerit goods — could lift household consumption by ₹1.98 lakh crore but cause an annual revenue loss of ₹85,000 crore, according to SBI Research. The effective GST rate, which has already declined from 14.4% in 2017 to 11.6% in 2019, may further drop to 9.5% under the new system. The shift is expected to boost GDP growth by 0.6% and ease CPI inflation by 20-25 basis points, as essential items like food and clothing would see tax rates fall from 12% to 5%.

#### > REAL MONEY GAMING FIRMS ON SHAKY GROUNDS AFTER INCREASED 40% GST

Real money gaming (RMG) firms are bracing for the impact of a steeper 40 per cent goods and services tax (GST), up from 28 per cent earlier, as the Centre considers bringing all "sin goods" under the higher levy. Several players in the industry said that they would be either forced to move their business offshore or shut down. Meanwhile, top executives said they have not received any formal communication yet, adding that preliminary discussions were underway on how to address the issue. RMG firms are already reeling under the 28 per cent GST regime, with companies absorbing the tax burden instead of passing it on to customers to keep engagement on their platforms steady. However, any further hike in GST is expected to sharply raise the tax burden on these firms, which executives warned could drive more users to offshore platforms.

### > SMARTPHONE MAKERS SEEK LOWEST GST SLAB TO RECHARGE STAGNANT DEMAND AFTER CENTRE'S REFORM PITCH

Smartphone manufacturers are pushing for a cut in the goods and services tax (GST) on mobile phones to 5% from the current 18%, arguing that the move would help revive demand and make devices more affordable, especially in the entry-level segment. They pointed out that demand for smartphones has remained flat at around 150 million units annually for the past four years, and that a lower GST would provide significant relief to millions of consumers. According to handset makers, the high tax rate has tied up working capital, increased manufacturing costs and eroded India's global competitiveness.



Pankaj Mohindroo, chairman of the India Cellular & Electronics Association (ICEA), told Moneycontrol that a reduction in GST will benefit both the industry and consumers. ICEA—which counts global brands such as Apple, Xiaomi, Oppo, Vivo, and Motorola, along with Indian firms like Lava among its members—has already written to the finance ministry seeking relief, he added.

#### > GST REFORMS TO TRANSFORM INDIAN HOSPITALITY INTO GLOBALLY COMPETITIVE FORCE: HAI

Hotel Association of India on Friday said the government's step to rationalise GST slabs has the potential to transform Indian hospitality into a globally competitive force, hoping for a tax rate of 5 per cent with input tax credit across hotels, restaurants, and tourism services. Welcoming the announcement by Prime Minister Narendra Modi on August 15 to bring next-generation GST reforms that will reduce the tax burden across the country, Hotel Association of India (HAI) said such reforms are essential to position India as a top tourism destination globally. It will ensure competitiveness vis-a-vis other international destinations and help in achieving India's goal of attracting 100 million foreign tourists annually by 2047, HAI said in a statement. "GST rationalisation has the potential to transform Indian hospitality into a globally competitive force. While we welcome the (GST) Council's consideration of a simplified structure, it is equally critical to align tariff thresholds with inflation and global benchmarks," HAI President KB Kachru said.

# > GST COUNCIL TO MEET ON SEPTEMBER 3 AND 4, WILL DECIDE ON CENTRE'S TWO- RATE GST PROPOSAL

The Goods and Services Tax (GST) Council will hold its 56th meeting on September 3-4 in New Delhi, the Council said in a memorandum issued on Friday (August 22, 2025) night. During this meeting, the GST Council is expected to discuss the recommendations of the various Groups of Ministers it has constituted, including the issue of reforming the GST system into a two-rate structure in line with the Central Government's recommendations. Prime Minister Narendra Modi had in his Independence Day speech spoken about the Centre's "Deepavali gift" of next generation GST reforms. Later that same day, the Ministry of Finance said it had sent its proposals for a two-rate GST system to the GoM on Rate Rationalisation.

1. DELHI HC: PROVISIONAL GST ATTACHMENT AUTOMATICALLY LAPSES AFTER ONE YEAR: M/S ARPIT TRADING COMPANY VS. PR. COMMISSIONER OF GOODS AND SERVICE TAX (DELHI HIGH COURT, 25.07.2023)

The petitioner, Arpit Trading Company, challenged the freezing of its bank account (IDFC Bank) following a communication dated 07.03.2022 from the GST department to the bank. The company argued that it never received any formal provisional attachment order under Section 83 of the CGST Act, 2017, and the freezing instruction was directly sent to the bank. The Court noted that under Section 83(2) of the CGST Act, any provisional attachment order ceases to be effective after one year. Therefore, even if such an order existed in March 2022, it would have automatically lapsed after a year. Accordingly, the Court directed the bank not to restrict operations of the petitioner's account based on the March 2022 communication, and allowed the petition.

2. CANCELLATION OF GST REGISTRATION
UNDER SECTION 29(2)(C) OF THE CGST ACT
HAS SERIOUS CIVIL CONSEQUENCES FOR
THE TAX PAYER

In Mokibur Rahman vs. Union of India & Ors. (Gauhati High Court, WP(C)/4253/2025, Order dated 01.08.2025) the petitioner, Mokibur Rahman, a sole proprietor of M/s Real Enterprise, had his GST registration cancelled under Section 29(2)(c) of the CGST Act, 2017 due to non-filing of returns for six consecutive months. Despite later filing all pending returns and clearing tax dues with interest and late fees, his application for

revocation of cancellation was time-barred, and his appeal was dismissed on 24.07.2025. The Court noted that under Rule 22(4) of the CGST Rules, 2017, if a taxpayer files pending returns and pays all dues, the officer can drop cancellation proceedings. Considering the serious civil consequences of cancellation, the Court allowed the petitioner to approach the competent authority within two months to seek restoration of GST registration. If he complies fully with filing and payment requirements, the authority must consider restoring his registration as per law. The Court also clarified that tax liability under Section 73(10) of the CGST Act will be calculated from the date of this order, except for FY 2024-25, which will follow Section 44.

**Outcome:** Writ petition disposed of; petitioner permitted to apply for restoration of GST registration subject to compliance. No costs imposed.

3. CALCUTTA HIGH COURT RULING: APPELLATE AUTHORITY CAN PERMIT ADDITIONAL EVIDENCE IN GST APPEAL

In the case of Suchismita Maji vs. Assistant Commissioner of CGST & CX, WPA 4133 of 2025 (DOJ: 14/07/2025), the Calcutta High Court ruled that an appellate authority can admit additional evidence in GST appeals, even if the strict conditions of Rule 112(1) of the WBGST/CGST Rules, 2017 aren't met. The case involved a taxpayer, Suchismita Maji, who was denied an input tax credit due to a clerical error on an invoice. The appellate authority rejected her attempt to submit a new certificate as evidence, citing Rule 112(1). The High Court, however, focused on Rule 112(4), which grants the appellate authority broader discretionary power to request or permit any document or witness

necessary to dispose of the appeal fairly. The court found that the appellate authority had applied the rule too rigidly and mechanically without considering this overriding provision. Consequently, the court set aside the appellate authority's order and sent the case back, directing them to allow Maji to submit the new evidence. This judgment establishes that the goal of a fair hearing takes precedence and that appellate authorities have the inherent power to accept evidence to ensure a just outcome, thus creating a significant legal precedent.

4. KARNATAKA HC SETS ASIDE ORDER AS REVENUE FAILS TO PROVE DELIVERY OF EMAIL NOTICE

Muni Naga Reddy HUF (Karnataka HC) WP No. 12543 of 2025 (T-RES) (DOJ: 16/07/2025), this is a case where though e-mail is claimed to have been sent by Revenue, the petitioner contends that the e-mail has not been received. It would therefore be required for the respondents to establish a system to ascertain delivery of e-mail notices, when the said e-mail was opened and when the email was read, so that these kind of situations could be avoided. The impugned order was set aside & the matter is remitted for fresh consideration

5. MADRAS HC ORDERS UNBLOCKING OF ITC AFTER 10% PRE-DEPOSIT BY ARISE STEELS PVT LTD

Arise Steels Pvt Ltd (Madras HC) W.P(MD) Nos. 18606 & 18607 of 2025 (DOJ: 09/07/2025) The Madras High Court directed the unblocking of GST Input Tax Credit (ITC) for Arise Steels Private Limited after accepting a 10% tax deposit made during appeal, stating that ITC blockage u/r 86A(3) of the CGST Act cannot continue post-appeal and pre-deposit. It clarified that once an appeal is filed and requisite pre-deposit made, the GST

department cannot continue blocking ITC or take coercive recovery actions against the appellant

6. GUJARAT HIGH COURT QUASHES GST DEMAND ORDER, RULING THAT A TELEPHONIC CALL CANNOT SUBSTITUTE THE MANDATORY PERSONAL HEARING UNDER SECTION 75(4) OF THE CGST ACT.

The Gujarat High Court in the case of M/s KCC Buildcon Pvt. Ltd. vs. State of Gujarat & Ors. (01.08.2025) guashed a GST demand order on the ground that a telephonic conversation cannot be treated as a valid substitute for a personal hearing under Section 75(4) of the CGST Act. The petitioner, engaged in infrastructure development, had been issued a show cause notice (SCN) under Section 74 alleging fraudulent availment of ITC worth ₹32.99 lakh from nongenuine dealers. Despite filing detailed replies, making part payments, and specifically requesting a personal hearing, the adjudicating authority passed an adverse order after only a brief telephonic interaction with the petitioner's representative. The Court observed that Section 75(4) mandates a meaningful personal hearing whenever requested or when an adverse order is contemplated, and casual or conversations do not meet this statutory requirement. Relying on earlier judgments such as M/s Jupiter Exports and BA Continuum India Pvt. Ltd., the Court held that denial of a proper hearing amounts to a breach of natural justice and the principle of audi alteram partem. Consequently, the impugned order dated 10.08.2024 was set aside and the matter remanded for fresh adjudication after granting a proper hearing

7. GAUHATI HIGH COURT RULES THAT RETROSPECTIVE AMENDMENT TO SECTION 16 ALLOWS ITC CLAIMS DESPITE BELATED FILING, SETTING ASIDE REJECTION ORDER.

The Gauhati High Court in Amit Jasrasaria vs. Union of India & Ors. (07.08.2025) held that the retrospective amendment to Section 16 of the CGST Act saves ITC claims despite belated filing of returns. The petitioner had filed his GSTR-3B for FY 2018-19 on 23.10.2019, three days after the due date, claiming ITC of ₹79.05 lakh. The department rejected the claim under Section 16(4), which barred ITC after the prescribed deadline, and issued a demand-cum-show cause notice followed by a rejection order. The Court noted that the Finance (No. 2) Act, 2024 inserted Section 16(5) with retrospective effect from 01.07.2017 (notified on 27.09.2024), which overrides Section 16(4) and allows availment of ITC for FYs 2017-18 to 2020-21 if claimed in returns filed up to 30.11.2021. Since the petitioner had filed his return on 23.10.2019, well within this extended timeline, he was entitled to the ITC. The Court, therefore, set aside the rejection order and remanded the matter for fresh proceedings after affording the petitioner an opportunity of hearing

8. EXCESS STOCK CANNOT TRIGGER CONFISCATION UNDER SECTION 130; PROPER REMEDY LIES UNDER SECTIONS 73/74: ALLAHABAD HIGH COURT

The Allahabad High Court in M/s Nikhil Trade & Exports v. Additional Commissioner Grade-2 (Appeals), State Tax, Kanpur & Ors. (12.08.2025) held that mere detection of excess or unaccounted stock during a survey cannot justify proceedings under Section 130 of the CGST Act, which deals with confiscation of goods. The Court clarified that Section 35(6) read with Sections 73/74 provides a complete mechanism for

determination and recovery of tax on such goods, and the department cannot bypass this statutory procedure by resorting to confiscation. Relying on precedents like M/s Vijay Trading Company (affirmed by the Supreme Court) and M/s PP Polyplast Pvt. Ltd., the Court reiterated that cases of excess stock must be addressed through demand and recovery provisions under Sections 73/74. Accordingly, the impugned order invoking Section 130 was set aside

9. REFUND CANNOT BE DENIED FOR WRONG TAX
HEAD ENTRY IN FORM RFD-01: ALLAHABAD
HIGH COURT

The Allahabad High Court in Bharat Mint & Aroma Chemicals v. Union of India (01.08.2025) held that a genuine refund claim cannot be denied merely on account of technical or clerical errors such as mentioning the wrong tax head in Form GST RFD-01. In this case, the petitioner sought refund of excess CGST paid but, due to a software/clerical mistake, entered the claim under IGST. Both the adjudicating and appellate authorities rejected the claim on this ground. The Court observed that the refund application clearly related to excess CGST and that citing the wrong head in the form cannot defeat a substantive right. It further held that a typographical or software error does not deprive a taxpayer of lawful entitlement, and the appellate authority erred by not deciding the claim on merits and by going beyond the show cause notice, thereby violating principles of natural justice. Accordingly, the Court set aside the orders and remitted the matter back for fresh consideration.