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INDIRECT TAX

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Notifications/Circulars/ GSTN Advisory:

This section provides an overview of the latest GSTN advisories, CBIC notifications, circulars, and other key regulatory updates.

Notification No.: 02/2026-C.T./GST dated 22 May 2026 issued by the Commissioner of State Tax, West Bengal from the Directorate of Commercial Taxes, Kolkata.

Issued under: Rule 138(14) of the WBGST Rules, 2017, with concurrence of the Principal Chief Commissioner of CGST & Central Excise, Kolkata Zone. West Bengal reduces E-Way bill threshold for intra-state movement of goods from 1,00,000 to 50,000 effective from 1st June, 2026. The requirement does not apply to intra-state movement of goods for job work as defined under Section 2(68) of the CGST/WBGST Act. The notification strengthens GST compliance by lowering the reporting threshold and enhances GST revenue tracking and transparency in intra-state transactions.

CBIC circular no. 26/2026- Customs, dated 15 May 2026 - Standardisation of procedures relating to grant of Entry Inward and Vessel Sail-out Clearance

CBIC via Circular no. 26/2026 dated May 15th, 2026 standardized the procedure for entry inward and vessel sail-out clearance across customs ports to eliminate delays by de-linking physical boarding formalities under section 37 from cargo clearance mandates of sections 31 and 42. By transitioning Entry Inward and Sail-out Clearance into remote, digital processes powered by automated risk profiling, the policy eliminates unpredictable delays, is expected to reduce vessel turnaround times, and optimizes port efficiency. While enforcement remains robust for high-risk vessels, the standard workflow transforms into a seamless, faceless mechanism where cargo operations can begin the moment a ship berths thereby supporting trade facilitation and the Government's ease of doing business initiatives.

CBIC INSTRUCTION No. 07/2026-Customs, dated 02 June 2026: Streamlined Procedure for Customs Field Formations to Seek FTP Clarifications from DGFT

CBIC issued Instruction No. 07/2026-Customs Dt. 02/06/2026, addressed to all PCCIT./CCIT, PCIT/CIT of Customs & DGs under CBIC, to regulate the procedure for Customs field formations to seek interpretation or clarification of FTP provisions from the DGFT. The instruction establishes a mandatory, hierarchical framework for Customs field formations seeking Foreign Trade Policy (FTP) clarifications from the DGFT, prohibiting direct, decentralized communication to eliminate inconsistent interpretations and clearance delays. Under this new protocol, interpretational issues must first undergo institutional scrutiny at the Commissio-nerate or Zonal level, and be vetted by the relevant National Assessment Centre (NAC) if commodity-specific, before being escalated to the Board via a standardized, urgency-tagged reference template. Crucially, the instruction functions as a trade facilitation tool by explicitly mandating that field formations must not hold up pending consignments solely for policy interpretations; instead, they are directed to leverage provisional assessments under Section 18 of the Customs Act, 1962, thereby ensuring uniform implementation of the Foreign Trade Policy while minimising disruption to legitimate trade.

Key Court Rulings

This section covers the key rulings of various High Courts and Tribunals.

Supreme Court Rulings

State of Uttar Pradesh vs. M/S Bambino Agro Industries Ltd & Anr., SLP (Civil) Diary No. 11683 of 2026, 29th May, 2026

The Supreme Court has clarified that while service of notices and orders through electronic means or by uploading them on the GST portal is legally recognized under Section 169 of the CGST Act, mere uploading of an order on the portal does not automatically amount to effective communication to the taxpayer. The Court held that the limitation period for filing an appeal under Section 107 commences only from the date on which the order is effectively communicated and comes to the knowledge of the taxpayer. Noting the absence of any GST portal acknowledgment mechanism showing when a taxpayer actually viewed or downloaded an order, the Court observed that mere portal upload is insufficient to trigger limitation. In cases of genuine dispute regarding communication, the Court extended the benefit of doubt to taxpayers and held that a presumption may operate in favour of the assessee regarding the date on which the order actually came to their knowledge, unless the Revenue is able to establish otherwise. The ruling provides significant relief to taxpayers by ensuring that appellate rights are not defeated merely because an order was uploaded on the GST portal without proof of effective communication.

Prime Metals vs Central Board of Indirect Taxes and Customs & Others, (SLP) (C) No. 18577 of 2026 29th May, 2026

The Supreme Court declined to interfere with the High Court's order dismissing the writ petition on the ground of availability of an alternate statutory remedy, but granted the assessee liberty to file a statutory appeal within eight weeks subject to making the prescribed pre-deposit. Importantly, the Court kept open all legal and constitutional issues, including the challenge to the validity and interpretation of Section 16(2)(c) of the CGST Act. The dispute concerned denial of Input Tax Credit (ITC) to a purchaser on the ground that the supplier had failed to deposit the tax collected from the purchaser with the Government. While refraining from deciding the merits, the Supreme Court ensured that the assessee's substantive rights remained protected and left open for future judicial determination the larger and recurring question in GST law: whether a bona fide purchaser, who has received goods or services, paid consideration along with GST, and otherwise complied with statutory requirements, can be denied ITC solely because of the supplier's default in remitting tax to the Government.

Commissioner of Customs, Kandla, Gujarat V. M/S Reliance Industries Limited, Civil Appeal No. 569 of 2012, May 26, 2026

The Supreme Court ruled in favour of the assessee and upheld the classification of imported n-Hexane under Chapter 29 of the Customs Tariff as a separately chemically defined saturated acyclic hydrocarbon. The Court held that the DGFT Policy Circular dated 14 July 2004, clarifying that Hexane falls under Chapter 29 of the ITC (HS), is final and binding on customs authorities in view of Para 2.3 of the Foreign Trade Policy. Rejecting the Revenue's attempt to classify the product under Chapter 27 as petroleum oil or motor spirit, the Court observed that a flash point below 25°C is not by itself sufficient to attract classification as motor spirit, since the Revenue must also establish suitability for use as fuel in spark ignition engines. The Court further reiterated that the burden of proving a particular tariff classification lies on the Revenue and that specific tariff entries prevail over general entries. Noting that n-Hexane exists in commercially pure form as a separately chemically defined compound and that the presence of trace impurities does not alter its essential character, the Court held that the product was correctly classifiable under Chapter 29. Accordingly, the Supreme Court dismissed the Revenue's appeal and affirmed the order of the CESTAT.

State of U.P vs Reliance Industries, 2026 INSC 491, May 15, 2026

The Supreme Court ruled in favour of the assessee and held that sales of natural gas by Reliance Industries Ltd. to buyers in Uttar Pradesh constituted inter-State sales under Section 3(a) of the Central Sales Tax Act, 1956, as the movement of gas from Andhra Pradesh to Uttar Pradesh was occasioned by the Gas Sales and Purchase Agreements (GSPAs). The Court held that the contractual delivery point was Gadimoga, Andhra Pradesh, where title and risk in the gas passed to the buyers, and therefore the subsequent movement of gas through common carrier pipelines was merely on behalf of the purchasers and did not alter the nature of the transaction. The Court clarified that once a transaction satisfies Section 3 of the CST Act, Section 4, which is expressly subject to Section 3, cannot be invoked to treat the sale as an intra-State sale based on situs, appropriation, re-metering, co-mingling, fungibility, or subsequent processing of the gas. The Court further held that Explanation 3 to Section 3, inserted in 2016 in relation to gas transported through common carrier pipelines, is clarificatory in nature and merely affirms the pre-existing legal position that co-mingling of fungible gas does not destroy the inter-State character of the sale. Emphasising the constitutional scheme under Articles 269 and 286, the Court reiterated that taxation of inter-State sales lies exclusively within the Union's domain and that States cannot convert an inter-State transaction into a local sale through situs-based arguments. The Court also noted that Uttar Pradesh had itself issued Form-C declarations acknowledging the transactions as inter-State sales and could not subsequently contend otherwise. Accordingly, the Supreme Court upheld the Allahabad High Court's decision quashing the VAT assessments and confirmed that the State of Uttar Pradesh had no authority to levy VAT on the impugned transactions.

Directorate General of GST Intelligence (HQS) vs Gameskraft Technologies, CIVIL APPEAL NO(S). 8241 – 8244 OF 2026, May 27, 2026

The Supreme Court, in a matter concerning online gaming, fantasy sports, betting and casino transactions, upheld the constitutional validity of the GST levy on actionable claims arising from betting and gambling. The Court held that the essential element of betting and gambling is the staking of money or money's worth on an uncertain outcome, irrespective of whether the underlying activity is a game of skill or chance. Consequently, online gaming platforms, fantasy sports operators and casinos supplying such actionable claims are liable to GST on the entire stake amount and not merely on the platform fee or commission retained by them. The Court further upheld the validity of Sections 2(31), 2(52), 7, 9 and 15 of the CGST Act, observing that actionable claims are validly included within the definition of "goods" and that the levy is on the supply of actionable claims rather than on betting or gambling per se. Clarifying the scope of "supply", the Court held that taxable actionable claims arise the moment participants place stakes in an organised gaming framework and are not dependent upon transfer of a pre-existing claim. The Court also upheld Rule 31A and the 2023 amendments, including Rules 31B and 31C, as valid machinery and valuation provisions, holding that they are clarificatory in nature and do not create a new levy. Rejecting challenges based on legislative competence, double taxation, arbitrariness and violation of fundamental rights, the Court concluded that GST is payable on the full value of stakes deposited by participants, thereby setting aside the Karnataka High Court's decision in Gameskraft and affirming the Revenue's position on taxation of online gaming and betting transactions.

Union of India v. Varun Fabs Ltd, Special Leave Petition (Civil) Diary No. 21515/2026, 26 May, 2026

The Supreme Court declined to interfere with the Punjab & Haryana High Court's decision quashing textile cess demands raised against independent fabric processing units, thereby leaving undisturbed the High Court's view that the definition of 'manufacture' under the Central Excise Act cannot automatically be imported into the Textile Committee Act, 1963. Upholding the High Court's reasoning, the Court effectively accepted that activities such as bleaching, dyeing, printing and finishing of grey fabric undertaken by independent processors could not be subjected to textile cess merely on the basis of the expanded excise-law definition of manufacture, particularly when no corresponding amendment had been made to the Textile Committee Act. The High Court had also relied on the Textile Committee's own communications indicating that cess was intended to be collected at the yarn stage and not from independent processing units. Additionally, the demands were held to be barred by limitation, as the notices relating to periods commencing from 1995-96 had been issued beyond the one-year period prescribed under Rule 10 of the Textile Committee Cess Rules, 1975. Finding no reason to interfere with these conclusions, the Supreme Court dismissed the Revenue's Special Leave Petitions, thereby giving finality to the relief granted to the processing units.

Alupro Building Systems vs Commissioner of Central Excise, Civil Appeal No. 8030 of 2010, May 27, 2026

The Supreme Court ruled in favour of the assessee and held that the process of cutting, grooving, routing and bending aluminium composite panels (ACPs) to meet the design requirements of a building, followed by their installation at site, does not amount to "manufacture" under Section 2(f) of the Central Excise Act, 1944, as no new and distinct commercial product with a separate name, character or use emerges from the process. The Court reiterated that manufacture requires satisfaction of two essential conditions: transformation of the original goods into a distinct commodity and marketability of the resultant product as an independent commercial article. Since the ACPs retained their essential identity throughout the process and were merely adapted for a particular use, no manufacture could be said to have taken place. The Court further held that the burden of proving marketability lies on the Revenue and cannot be discharged by mere assertions without supporting evidence. On the jurisdictional issue, the Court clarified that disputes concerning excisability are questions relating to the rate of duty for purposes of assessment and therefore fall within the exclusive appellate jurisdiction of the Supreme Court under Section 35L of the Act. It also held that Section 35L(2), inserted in 2014 to expressly include questions of taxability and excisability within the ambit of Section 35L, is clarificatory and retrospective in nature. Accordingly, the Court held that the High Court lacked jurisdiction to entertain the Revenue's appeal under Section 35G, set aside the High Court's judgment, and restored the CESTAT's order in favour of the assessee.

High Court Rulings

Commissioner of Central Excise and Services Tax v. Indian Oil Corporation Limited, Patna High Court, Miscellaneous Appeal No.376 of 2019, May 14, 2026

The Patna High Court ruled in favour of the Department and held that storage of crude oil at Barauni, for which separate tankage/discharge charges were levied under the contractual arrangement, constituted a distinct taxable "storage and warehousing" service under Sections 65(102) and 65(105)(zza) of the Finance Act, 1994, and was therefore separately liable to service tax. The Court held that where crude oil is stored at an intermediate facility before onward transportation and a distinct consideration is charged for such storage, the activity cannot be treated as merely incidental to pipeline transportation. The Bench further held that the presence of a substantial question of law renders an appeal maintainable notwithstanding the monetary limits prescribed in CBIC instructions. Finding that the CESTAT had overlooked material facts, including the separate charging mechanism and the independent nature of the storage facility, the High Court allowed the Department's appeal, set aside the CESTAT order, and restored the Commissioner's order confirming service tax, interest and penalties.

Celebration Blenders & Distilleries (P.) Ltd.v. Assistant Commissioner of CGST & CX WPA NO. 6667 OF 2026, April 10, 2026

The Calcutta High Court ruled in favour of the assessee and held that where a registered person became ineligible to continue under the QRMP Scheme upon crossing the prescribed turnover threshold of ₹5 crore, but was unable to opt out due to a technical failure of the GST portal, the assessee could not be denied the benefit of migration to the regular monthly return-filing system. The Court held that procedural and technical difficulties on the GST portal should not prejudice a taxpayer's substantive rights, and accordingly directed the GSTN and GST authorities to carry out necessary backend changes to enable the assessee to opt out of the QRMP Scheme and file monthly GSTR-1 and GSTR-3B returns. The Court further directed the assessee to file the requisite returns along with applicable late fees and interest and granted liberty to seek refund of such amounts, which was to be considered by the authorities in accordance with law

Tannia Rikhy vs Sunrider India, Delhi High Court, RFA 32/2023 & CM APPL. 1770/2023 May 21, 2026

The Delhi High Court ruled in favour of the tenant and held that a landlord cannot recover or adjust alleged service tax dues pertaining to an earlier lease period from a tenant's refundable security deposit where the governing lease deed contains no clause making the tenant liable for such tax, the subsequent lease deed creates such liability only prospectively, and the alleged past liability is unsupported by any proved agreement. The Court held that contractual liability to bear service tax must flow from the terms of the lease, and in the absence of a specific covenant, the tax burden cannot be retrospectively shifted to the tenant. The Court further observed that the landlords' claim for service tax for the period June 1, 2007 to August 15, 2009 was not only unsupported by evidence but had also become time-barred, particularly when no legal proceedings were initiated despite an express reservation of rights. Accordingly, the Court upheld the Trial Court's decree directing refund of ₹5.53 lakh wrongfully deducted from the security deposit, together with interest, and dismissed the landlords' appeal.

CG Tollway Ltd. v. Union of India, Rajasthan High Court, D.B. Civil Writ Petition No. 15048/2025, May 22, 2026

The Rajasthan High Court ruled in favour of the Revenue and upheld the levy of GST on toll collection rights granted under a Build-Operate-Transfer (BOT) arrangement. The Court held that the grant of toll collection rights constitutes non-monetary consideration in the nature of barter for the construction, operation and maintenance of the highway, thereby amounting to a "supply" under Section 7 of the CGST Act, 2017. The Court further clarified that such activities are classifiable under Heading 9954 as construction services and are therefore taxable, and cannot be brought within the exemption available to supporting transport services under Heading 9967 merely because consideration is received through future toll collections. Emphasising the principle of strict interpretation of exemption notifications, the Court held that any ambiguity must operate in favour of the Revenue. It also rejected the contention of double taxation, observing that the contracts between the authority and the concessionaire, and those between the concessionaire and its sub-contractors, are distinct taxable transactions. Accordingly, the writ petition was dismissed and the GST demand was sustained.

Maruti Enterprise v. Union of India, Gujarat High Court, SCA 18080/2023, May 1, 2026

The Gujarat High Court, ruled in favour of the Revenue and upheld the constitutional validity of Section 16(2)(c) of the CGST Act, rejecting the challenge to the condition that input tax credit (ITC) can be availed only where the tax charged on the supply has actually been paid to the Government by the supplier. The Court held that ITC is a statutory benefit and not a vested or fundamental right, and therefore remains subject to strict compliance with all conditions prescribed under Section 16(2). The Bench further observed that the burden of establishing eligibility to ITC rests on the recipient under Section 155 of the Act. Distinguishing the GST framework from the earlier VAT regime, the Court emphasised that Section 16(2)(c) plays a critical role in preserving the integrity of the destination-based GST system, particularly in the context of inter-State tax settlements. The Court also noted that Sections 41(2) and Rule 37A provide a statutory mechanism enabling reversal and subsequent re-availment of ITC once the supplier discharges the tax liability, thereby addressing concerns of hardship to bona fide purchasers. Accordingly, the challenge to the provision was dismissed.

Ritesh Mitra v. AC State Tax, Bargarh, Orissa High Court, WP(C) No.12141 of 2026, May 18, 2026.

The Orissa High Court declined to entertain a writ petition challenging an order passed under Section 74 of the CGST/OGST Act and a subsequent rectification order under Section 161, holding that disputed questions relating to the validity of the show cause notice, jurisdiction, and alleged procedural irregularities are matters appropriately examined by the statutory appellate authorities under the GST framework. The Court observed that mere defects in a notice do not automatically vitiate proceedings unless they result in a violation of principles of natural justice or go to the root of jurisdiction. On examining the record, the Court found that the annexure accompanying Form GST DRC-01 had adequately informed the petitioner of the discrepancies alleged by the department, thereby providing sufficient notice of the case to be met. Reiterating the principle laid down by the Supreme Court in Radha Krishan Industries v. State of Himachal Pradesh, the Court held that where an effective statutory remedy is available, the High Court should ordinarily refrain from exercising its writ jurisdiction under Article 226. Accordingly, the writ petition was dismissed with liberty to the petitioner to pursue the remedies available under the GST Act and the Rules framed thereunder.

DLF Limited v. Commissioner of Central Goods and Service Tax & Ors., Punjab and Haryana High Court, CWP No. 17530 of 202213, May 2026

The Punjab & Haryana High Court ruled in favour of the assessee and held that preferential location charges (PLC) collected by a developer form an integral part of the supply of construction services and cannot be subjected to GST as an independent supply. The Court noted that while the Advance Ruling Authority and the Appellate Authority for Advance Ruling had earlier held that PLC was separately taxable from construction services, the GST Council, in its 54th meeting, recommended that such charges be treated as part of a composite supply of construction services. Pursuant to this recommendation, the Government issued Circular dated 11.10.2024 under Section 168(1) of the CGST Act clarifying that PLC is naturally bundled with construction services and attracts GST at the same rate as the principal supply. Holding that the circular is binding on tax authorities and, being clarificatory in nature, operates retrospectively, the Court quashed the advance ruling dated 28.08.2020 and the appellate ruling dated 28.03.2022. The Court thus reaffirmed that charges for preferential location of residential or commercial units before issuance of the completion certificate are part of the consideration for construction services and must receive the same GST treatment as the underlying construction activity.

Samarpan Jain v. State of UP and Ors., Allahabad High Court, Criminal misc. Writ petition no. - 23443 of 2025, 21 May, 2026

The Allahabad High Court ruled in favour of the petitioner-advocate and quashed the FIR, charge-sheet and cognizance order initiated against him in connection with GST proceedings, holding that an advocate cannot be subjected to criminal prosecution merely for acts performed in the course of professional engagement on behalf of a client. The Court observed that the petitioner had acted solely in his professional capacity by filing statutory GST appeals and advising his client regarding the mode of making the mandatory pre-deposit through the Electronic Credit Ledger based on an interpretation of law supported by prevailing judicial precedent. Even assuming that such legal advice or interpretation was erroneous, it could not give rise to criminal liability or establish a criminal conspiracy between the advocate and the client. Emphasising the independence of the legal profession and the constitutional importance of access to legal representation, the Court held that prosecuting an advocate for acts done in the course of professional engagement would strike at the very foundation of the legal system and undermine the rights guaranteed under Articles 14 and 21 of the Constitution. Finding no material linking the petitioner to any alleged tax evasion beyond his role as counsel, the Court held that the FIR, police investigation, charge-sheet and cognizance order were legally unsustainable and accordingly quashed the criminal proceedings insofar as they related to the petitioner.

Sona Enterprises vs State of A.P, Andra Pradesh High Court, Writ Petition No: 31510/2024, April 27, 2026

The Andhra Pradesh High Court partly allowed the assessee's challenge and held that mere deposit of funds into the electronic cash ledger does not constitute payment of GST. Interpreting Section 49(1) of the CGST Act read with Rule 87(6) and (7) of the CGST Rules, the Court clarified that tax is discharged only when the amount standing in the electronic cash ledger is debited and appropriated to the Government account. Consequently, where such appropriation is made belatedly, the tax liability stands discharged on the date of appropriation, though interest remains payable for the intervening period of delay. The Court further held that input tax credit cannot be validly availed before the underlying reverse charge tax is actually appropriated to the Government; however, once the taxpayer subsequently makes the necessary debit entries and the tax stands paid, separate recovery of the corresponding ITC in the manner adopted by the department is unsustainable. On the invocation of Section 74, the Court observed that whether the failure to debit the electronic cash ledger amounted to a bona fide omission or constituted suppression of facts or wilful misstatement with intent to evade tax is a factual issue requiring proper examination by the adjudicating authority. The Court also held that a composite assessment and penalty order covering multiple tax periods is impermissible.

Accordingly, the impugned order was set aside and the matter was remanded for fresh adjudication through separate orders for each tax period after considering the assessee's objections.

Apeejay Infra Logistics vs Union of India, Calcutta High Court, WPA 10583 of 2020 With CAN 1 of 2023, May 15, 2026

The Calcutta High Court ruled in favour of the Customs Department and upheld the liability of a Container Freight Station (CFS) operator to pay cost recovery charges for Customs officers deployed at its facility. The Court held that where a custodian is appointed under Section 45(1) of the Customs Act, 1962 subject to an express condition requiring payment of cost recovery charges, and the custodian accepts that condition, operates the facility under customs supervision, and avails the benefits of such arrangement, it cannot subsequently deny liability on the ground that formal sanction of posts was absent. The Court clarified that Regulation 6(1)(o) of the Handling of Cargo in Customs Areas Regulations, 2009 does not make liability contingent upon prior formal sanction of posts, particularly when Customs personnel were in fact deployed and the facility functioned under active customs control.

The Court further held that administrative regularisation or subsuming of posts into the existing cadre strength does not automatically extinguish the custodian's liability, and exemption from cost recovery charges arises only upon fulfilment of prescribed norms and issuance of a specific exemption order. Emphasising the doctrines of acquiescence, estoppel and substantial compliance, the Court observed that the petitioner, having paid such charges for several years and unsuccessfully sought waiver under the applicable framework, could not reopen the foundational issue of liability.

Accordingly, the Court upheld the demand notices and the consequential operational restrictions imposed for persistent non-payment of cost recovery charges.

Bright Metal Refiners v. Directorate General of Foreign Trade, Delhi High Court, 2026-VIL-552-DEL-CU, 4 June, 2026

The Delhi High Court ruled in favour of the importer and reaffirmed the principle that delegated legislation becomes enforceable only upon its publication in the Official Gazette. The Court held that Notification No. 02/2026-27, which changed the import policy for goods under CTH 7113 from "free" to "restricted", could not be applied to consignments that had already arrived in India before the notification was published in the e-Official Gazette. Emphasising that publication is the act that gives legal force to delegated legislation, the Court observed that an executive decision does not acquire enforceability until it is duly notified in a manner that enables affected persons to know of its existence.

The Court further reiterated that delegated legislation cannot operate retrospectively unless the parent statute expressly authorises such retrospective effect, and no such power existed under the Foreign Trade (Development and Regulation) Act, 1992. Since the petitioner's consignments had reached Indian ports prior to the e-Gazette publication of the notification, they were governed by the import policy prevailing at the time of arrival and could not be subjected to the newly introduced licensing requirement. Accordingly, the Court directed release of the goods without insisting on import authorisation, while underscoring a broader principle with relevance across indirect tax laws, including GST, that subordinate legislation, notifications and delegated amendments cannot ordinarily be enforced prior to their official publication or effective date unless expressly authorised by the parent statute.

Ashish Tyagi v. Director General of GST Intelligence & Ors., Allahabad High Court, Writ Petition No. - 509 of 2026 May 2026

The Allahabad High Court ordered the release of a taxpayer arrested in connection with alleged GST offences under Section 132 of the CGST Act, holding that the arrest was illegal due to serious procedural violations. The Court noted that the arrest memo did not bear a valid Document Identification Number (DIN), despite the CBIC's mandate requiring departmental communications to contain a Document Identification Number for authenticity and traceability. The Court also found that the arrest memo failed to disclose the place of arrest, contrary to the safeguards laid down by the Supreme Court in D.K. Basu v. State of West Bengal. Holding that these lapses went to the root of the legality of the arrest, the Court declared the detention unlawful and directed the immediate release of the petitioner. The ruling underscores that GST enforcement authorities must strictly comply with statutory and constitutional procedural safeguards, and that failure to adhere to DIN requirements and arrest protocols can render an arrest invalid.

M\s World Phone Internet v. Superintendent, Range & Another, Allahabad High Court, Writ Tax No. 2707 of 2026, 25 May, 2026

The Allahabad High Court ruled in favour of the assessee and held that although issuance of Form GST DRC-01A prior to issuance of a show cause notice in Form DRC-01 is not mandatory in every case, non-issuance of DRC-01A cannot deprive a taxpayer of the statutory benefit available under Section 74(5) of the CGST Act. The Court observed that Section 74(5) provides a substantive right to settle a dispute by paying the tax, applicable interest and a reduced penalty of 15% before adjudication, and Rule 142(1A) must be interpreted harmoniously with this statutory scheme. While accepting the Revenue's contention that the use of the word "may" in Rule 142(1A) makes issuance of DRC-01A discretionary, the Court clarified that such discretion cannot be exercised in a manner that defeats the benefit expressly conferred by the Act.

Accordingly, where an assessee raises the claim for payment under Section 74(5) in response to the show cause notice, the adjudicating authority is bound to consider and extend that benefit. Since the petitioner had specifically sought the benefit during the proceedings and did not dispute the tax demand on merits, the Court held that the adjudicating authority erred in denying the concession. The writ petition was therefore allowed, with a direction that upon payment of the disputed tax, applicable interest and a reduced penalty of 15% within the prescribed period, the impugned adjudication order would stand satisfied.

Vedanta Ltd. v. ACIT, Madras High Court, T.C.A. Nos. 733 to 735 of 2010, 2 June, 2026

The Madras High Court held that Vedanta Ltd. was liable to deduct tax at source under Section 195 on payments made to its foreign group entity, Cairn Energy Asia Ltd. (Australia), under a Production Sharing Contract, after finding that the company failed to establish that the payments were pure reimbursements devoid of any income element. The Court observed that while genuine cost-to-cost reimbursements may not attract withholding tax, the burden lies on the assessee to furnish detailed evidence, including the nature of expenses, cost break-ups, and supporting documentation, to substantiate such a claim.

Since Vedanta could not provide adequate particulars of the expenditure recovered by the foreign entity, the payments were treated as amounts chargeable to tax in India, thereby triggering the obligation to deduct tax under Section 195.

Consequently, the Court upheld the Revenue's action in treating Vedanta as an assessee in default under Section 201(1) and sustaining interest liability under Section 201(1A). The ruling reinforces that mere characterization of a payment as "reimbursement" is insufficient, and taxpayers must substantiate the absence of any income component to avoid TDS obligations on cross-border payments.

M/s The Hyderabad Co-operative Association Ltd. v. Assistant Commissioner ST & Ors., Andhra Pradesh High Court, W.P. No. 13305/2026, 6 May, 2026

The Andhra Pradesh High Court ruled in favour of the assessee and held that an assessment order under the GST regime is invalid and unenforceable if it does not bear the signature of the adjudicating authority, whether physically or digitally affixed. Relying on its earlier decisions, the Court observed that the requirement of signature is a fundamental statutory requirement that cannot be dispensed with and that such a defect is not curable under Sections 160 or 169 of the CGST Act.

The Court further held that, in view of Rule 26(3) of the CGST Rules, an unsigned order cannot be regarded as having been validly served upon the taxpayer. Consequently, the absence of a signature meant that there was, in law, no valid service of the assessment order, and therefore delay in approaching the Court could not be held against the petitioner. Setting aside the impugned assessment order and consequential proceedings, including the recovery action and penalty notice founded upon it, the Court remanded the matter to the assessing authority for fresh adjudication after granting due opportunity of hearing to the petitioner.

The Court also directed that the period between the original assessment order and receipt of the High Court's order be excluded for limitation purposes and clarified that the tax amounts already recovered would abide by the outcome of the fresh assessment proceedings.

Darwin Platform Infrastructure Ltd. v. Joint Commissioner of State Tax, Bombay High Court, [2026] 186 taxmann.com 24030, April, 2026

The Bombay High Court ruled in favour of the assessee and held that a provisional attachment of bank accounts under Section 83 of the CGST/ MGST Act automatically ceases to have effect upon expiry of the one-year period prescribed under Section 83(2). The Court declared that the attachment and freezing of the petitioner's five bank accounts, including cash credit accounts, had lapsed by operation of law and directed that the petitioner be permitted to freely operate those accounts. The Court further reiterated the settled legal position that c cash credit accounts are not amenable to provisional attachment under Sectio-n 83. Without examining other disputed issues between the parties, the Court held that continuation of the attachment beyond the statutory period was without authority of law and accordingly granted relief to the petitioner, reaffirming that provisional attachment is a temporary and time-bound measure that cannot continue indefinitely.

Metal Syndicate & Ors. V. Union of India, Gauhati High Court, WP(C)/2960/2026, 5 June, 2026

The Gauhati High Court set aside a GST demand of ₹78.70 lakh along with interest and equivalent penalty, holding that Input Tax Credit (ITC) cannot be denied to a bona fide purchaser solely because the supplier failed to deposit the tax collected from the purchaser. The Court noted that the assessee had purchased goods from registered suppliers, received valid tax invoices, made payments including GST through banking channels, and complied with all statutory requirements for availing ITC. Relying on its earlier Division Bench decision in National Plasto Moulding and the Delhi High Court's ruling in On Quest Merchandising India Pvt. Ltd., the Court reiterated that the consequences of tax non-payment must fall on the defaulting supplier and not on a genuine purchaser. Accordingly, the dema-nd and appellate orders were quashed, while grant-ing liberty to the Revenue to initiate appropriate proceedings if evidence emerges showing that the transactions were sham, collusive, or lacking bona fides.

TRIBUNAL / ADVANCE RULINGS

M/s. Ram Aabhoshan v. Commissioner of Customs, Bangalore, Customs, Excise and Service Tax Appellate Tribunal, Customs Appeal No. 21961/2018, 24 April, 2026

The CESTAT, Chennai Bench, ruled in favour of the importer and held that gold neck chains imported in running lengths are classifiable as "articles of jewellery" under CTI 7113 19 90 and not as "gold in semi-manufactured form" under CTI 7108 13 00. The Tribunal observed that the imported chains had already acquired the essential character of finished jewellery and required only minor finishing processes such as cutting to the desired length and attaching hooks before sale to customers. Applying Chapter Note 9(a) to Chapter 71 and Rule 2(a) of the General Rules for Interpretation, the Tribunal held that incomplete or unfinished articles possessing the essential character of the finished article must be classified as the finished product itself.

Consequently, the Tribunal rejected the Revenue's contention that the goods were semi-manufactured gold merely because they were imported in running lengths. Having held that the goods were correctly classified under Heading 7113 as declared by the importer, the Tribunal further ruled that there was no misdeclaration or violation of import conditions warranting confiscation under Sections 111(d) or 111(m) of the Customs Act. Accordingly, the redemption fine and penalty imposed for re-export of the goods were set aside, and the appeal was allowed with consequential relief.

GX India vs Principal Commissioner of Customs, Customs, Excise and Service Tax Appellate Tribunal, Principal Bench, New Delhi, Customs Appeal No. 51799 Of 2024, May 20, 2026

The CESTAT, New Delhi Bench, ruled in favour of GX India Pvt. Ltd. and held that ONT/ONU and OLT telecom equipment are classifiable under CTSH/CTI 8517 62 as machines for the reception, conversion and transmission of data, and not under the residual category 8517 69 merely because they may be described as "subscriber end equipment." The Tribunal held that a product can be classified under a residual tariff entry only if it first falls within that residual category, and classification must be determined by the actual function of the goods. It further held that where denial of an exemption is based on a technical finding regarding the nature of the equipment, relevant expert evidence produced by the importer must be duly considered by the adjudicating authority.

On limitation and penalties, the Bench held that a change in classification claimed by an importer does not by itself constitute collusion, wilful misstatement, or suppression of facts, as classification involves a question of legal interpretation rat-her than suppression of facts. consequently, the extended limitation period under Section 28(4) of the Customs Act and penalties under Sections 114A and 114AA could not be invoked solely on that basis.

Hindustan Zinc Limited vs Commissioner of Central Excise & CGST, Customs, Excise and Service Tax Appellate Tribunal, Delhi, Excise Appeal No. 50853 of 2025, May 22, 2026

The CESTAT, New Delhi Bench, ruled in favour of the assessee and held that where a manufacturer reverses the proportionate CENVAT credit attributable to inputs and input services used in the generation of electricity that is subsequently sold or wheeled out to third parties, such reversal is deemed in law to be equivalent to non-availment of credit itself.

The Tribunal reiterated the settled principle that once proportionate credit attributable to exempted electricity is reversed, the requirement of Rule 6 stands satisfied and the assessee cannot be compelled to pay 5%/6% of the value of the electricity sold or transferred. Rejecting the Revenue's contention that invocation of Rule 14 read with Explanation III to Rule 6 altered the legal position, the Tribunal held that the governing jurisprudence is founded on the principle that reversal of credit neutralises the availment of credit altogether. Since the appellant had already reversed proportionate CENVAT credit of approximately ₹2.06 crore attributable to the electricity wheeled out or sold during the relevant period, the demand for payment of 5%/6% of the value of such electricity, along with interest and penalties, was held to be unsustainable.

Accordingly, the Tribunal set aside the impugned order and allowed the appeal.

Tuticorin Sri Subramanya Swami Mahamai Paribalana Sangam vs Commissioner of GST & Central Excise, Customs, Excise and Service Tax Appellate Tribunal, Chennai, Service Tax Appeal No. 40322/2016, May 26, 2026

The Chennai Bench of the CESTAT partly allowed the appeal and held that while grounds not specifically raised in the memorandum of appeal ordinarily cannot be urged without leave under Rule 10 of the CESTAT (Procedure) Rules, the issue of limitation stands on a different footing as it goes to the jurisdiction of the demand and may be examined even if not expressly pleaded. The Tribunal clarified that where a show cause notice is only partly time-barred, the proceedings do not become invalid in their entirety; rather, the demand must be restricted to the period legally recoverable and re-quantified accordingly.

The Tribunal further held that in the absence of evidence showing that service tax was separately collected from service recipients or recovered subsequently, the gross rental consideration must be treated as inclusive of service tax and the benefit of cum-tax valuation under Section 67(2) of the Finance Act, 1994 must be granted. On penalties, the Tribunal observed that penalty under Section 78 can be imposed only where fraud, collusion, wilful misstatement, suppression of facts, or intent to evade tax is established, and mere non-payment of service tax or failure to obtain registration is insufficient. Since no such allegations were substantiated in the present case, the Tribunal held that the extended period of limitation and penalty under Section 78 were not sustainable. Accordingly, the matter was remanded to the Original Authority for re-quantification of the demand and for fresh examination of the appellant's eligibility to exemption under Notification No. 25/2012-ST and the applicability of CBEC Circular No. 200/10/2016-ST.

Dow Chemical International Pvt. Ltd. v. Commissioner of State Tax, The GST Appellate Tribunal (GSTAT), 2026-VIL26-GSTAT-DEL, Delhi, 4 June 2026

The GST Appellate Tribunal held that cross-border procurement hub services rendered by a foreign group entity on a principal-to-principal basis do not qualify as "intermediary services" under Section 2(13) of the IGST Act merely because they involve coordination with suppliers.

The Tribunal observed that Dow Europe GmbH was not merely arranging or facilitating supplies between vendors and the Indian entity; rather, it was providing comprehensive procurement services on its own account, including supplier identification, contract negotiation, procurement strategy, vendor management, and purchase order administration. Since the exclusionary portion of Section 2(13) specifically excludes persons supplying services on their own account from the scope of "intermediary", the Tribunal held that the services constituted import of services and not intermediary services.

Consequently, the place of supply was governed by Section 13(2) of the IGST Act and not Section 13(8)(b), making the services taxable in India under the reverse charge mechanism. The Tribunal also rejected the Revenue's argument that the refund claim was merely an afterthought, clarifying that refund claims arising from tax paid under a mistaken understanding of law are maintainable under Section 54 of the CGST Act. However, since the services were correctly classifiable as import of services liable to IGST under reverse charge, the refund claim was ultimately rejected and the orders denying refund were upheld. The Tribunal further highlighted the need for consistency in the tax treatment of cross-border service arrangements, noting the Revenue's tendency to classify similar transactions differently depending on whether services were provided by an Indian entity to a foreign affiliate or vice versa.

M/s Global YDK Electric Pvt. Ltd. v. Commissioner of Customs, CGST, Noida, Central Excise, Customs, Excise and Service Tax Appellate Tribunal, Allahabad, Final Order No. 70134/2026, 13 May, 2026

The Allahabad Bench of the CESTAT has held that refund of Extra Duty Deposit (EDD) cannot be denied on the ground of unjust enrichment by relying on financial statements of an incorrect accounting year. Setting aside the transfer of an EDD refund of ₹1.81 lakh to the Consumer Welfare Fund, the Tribunal found that the authorities had erroneously examined the Balance Sheet for FY 2020-21 even though the EDD was deposited during FY 2021-22. The Tribunal noted that the relevant FY 2021-22 accounts specifically reflected the amount as "recoverable from Customs Authority", establishing that the incidence of the deposit had not been passed on.

It further clarified that a loan obtained from a promoter company for funding the EDD payment is merely an inter-company financial arrangement and cannot be treated as passing on the duty burden to customers. Reiterating that Extra Duty Deposit (EDD) is in the nature of a security deposit collected during SVB proceedings and not customs duty, the Tribunal held that it becomes refundable upon finalisation of assess-ment and is not subject to limitation. The ruling provides important clarity that unjust enrichment must be examined with reference to the correct financial year, inter-company funding does not amount to passing on the duty incidence, and EDD refunds cannot be denied on such grounds.

Bharat Electronics Limited Vs Principal Commissioner of Customs, CESTAT Bangalore, Final Order No. 20607/2026,15 May 2026

The Bangalore Bench of the CESTAT set aside a customs demand of ₹29.35 crore raised against Bharat Electronics Limited (BEL) on imports of EMI/ EMC Analysis Software forming part of the Long Range Surface-to-Air Missile (LRSAM) defence system, holding that the extended limitation period under Section 28(4) of the Customs Act could not be invoked in the absence of any wilful misstatement, suppression of facts, or intent to evade duty. The Tribunal observed that BEL, a Defence PSU and the nominated lead integrator for the LRSAM project, had disclosed all relevant particulars in the Bills of Entry and had claimed exemption under a bona fide interpretation of the applicable notification. It further held that BEL's retention of the imported software CD for support and integration purposes, rather than directly supplying it to the Ministry of Defence, did not amount to misdeclaration or concealment of facts.

Accordingly, the demand was set aside, with the Tribunal reiterating that the extended limitation period cannot be invoked merely because an exemption claim is subsequently found to be incorrect where all material facts have been disclosed and the assessee has acted under a bona fide belief. The ruling reaffirms the settled principle that extended limitation under Section 28(4) is inapplicable in the absence of fraud, collusion, wilful misstatement, suppression of facts, or intent to evade duty.

Commissioner of Customs vs Adani Enterprises, Central Excise and Service Tax Appellate Tribunal, Customs Appeal No. 86116 Of 2024, Decided on June 05, 2026

The Mumbai Bench of the CESTAT has dismissed the Revenue's appeals and upheld the order dropping customs duty demands against various Adani group entities, holding that where multiple show cause notices arise from a common investigation and are founded on the same set of documents and allegations, subsequent proceedings founded on the same evidentiary basis cannot be sustained once earlier proceedings based on the identical evidentiary foundation have been decided in favour of the noticees and attained finality up to the Supreme Court.

The Tribunal observed that the imports, including solar photovoltaic modules, inverters, cranes and other equipment, were procured through transparent international competitive bidding processes, and that the mere existence of a relationship between the importers and the overseas supplier, Electrogen Infra FZE, was insufficient to reject the declared transaction value in the absence of evidence showing that such relationship influenced pricing. It further held that the department's reliance on overseas bankers' communications and electronic records was misplaced as the mandatory certification requirements under Section 138C(4) of the Customs Act had not been complied with, rendering such evidence inadmissible. Accordingly, the Tribunal found no basis to reject the declared value under Section 14 and the Customs Valuation Rules, and consequently held that the allegations of overvaluation, confiscation under Section 111(m), and penalties under Sections 112(a) and 114AA could not be sustained. The ruling reinforces that transaction values arising from genuine competitive bidding cannot be discarded without cogent evidence and that proceedings founded on defective or inadmissible evidence cannot survive.

National Highways Authority of India vs Commissioner of Central Excise and Service Tax, CESTAT, Hyderabad, Service Tax Appeal No. 21482 of 2014, 02 June, 2026

The Hyderabad Bench of CESTAT ruled in favour of the Revenue, holding that consideration received by the National Highways Authority of India (NHAI) for transferring toll collection rights to contractors is liable to Service Tax. The Tribunal held that NHAI was not merely permitting collection of a statutory levy but was commercially granting an exclusive and valuable right to collect and retain toll revenues in exchange for a fixed consideration.

Accordingly, the transaction constituted a taxable "franchise service" prior to 01.07.2012 and a taxable service under the negative list regime thereafter. Rejecting NHAI's contention that the activity was a sovereign function or covered by the exclusions under Sections 66D(a) and 66D(h) of the Finance Act, 1994, the Tribunal clarified that the exemptions apply to toll collected from road users and not to consideration received for transferring toll collection rights. It further held that NHAI, though a statutory authority, functions as a body corporate operating on business principles, and the assignment of toll rights through competitive bidding is a commercial activity. The Tribunal also upheld invocation of the extended limitation period, along with interest and penalties, noting that NHAI had neither obtained service tax registration nor discharged tax despite receiving substantial consideration over several years.

Suraj Impex & Ors. v. DRI, CESTAT, Chennai, Customs Appeal Nos. 40037 of 2021, 40038 of 2021 and 40040 of 202111, June, 2026

The Chennai Bench of CESTAT ruled in favour of the importers and quashed customs duty demands exceeding ₹11.24 crore, along with confiscation, redemption fine and penalties, arising from alleged undervaluation of lighting fixtures imported from China. The Tribunal held that the Revenue's case was based primarily on unverified electronic records recovered from pen drives and hard disks, unsupported statements, and conjectures rather than legally admissible evidence. It observed that the Department failed to follow the mandatory sequential valuation methodology prescribed under the Customs Valuation Rules and did not produce reliable evidence of contemporaneous imports, parallel invoices, or additional consideration paid by the importers. On limitation, the Tribunal noted that all imports had been cleared through regular Bills of Entry, with Customs authorities having assessed or even enhanced values at the time of import, thereby negating any allegation of suppression. Since the show cause notice was issued nearly four years after commencement of investigation and the conditions for invoking the extended limitation period were not established, the demands were held to be time-barred as well. Consequently, the Tribunal set aside the entire proceedings, reaffirming that undervaluation allegations cannot be sustained on the basis of uncorroborated electronic evidence and presumptive valuation methods.

M/s ABB India v. Commissioner of Customs, CESTAT Bangalore, Customs Appeal No. 20446 of 2018, 06 May, 2026

The CESTAT held that refund of Special Additional Duty (SAD) cannot be denied merely because the subsequent sale qualified as a Sale in the Course of Import (SICOI) and was therefore not liable to VAT/CST. Following its earlier decision in Honda India Power Products Ltd., the Tribunal observed that where the applicable VAT/CST rate is nil, the VAT/CST liability is nil, and such absence of tax liability cannot be used to deny SAD refund. Accordingly, rejection of ABB India's refund claims solely on the ground of non-payment of VAT/CST was held to be unjustified and the assessee was held entitled to the refund.

InterGlobe Aviation Ltd. v. Principal Commissioner of Customs, CESTAT, Delhi, Customs Appeal No. 54697 of 2023, 11 May, 2026

The CESTAT ruled in favour of InterGlobe Aviation, holding that turboprop and turbofan engines are gas turbine engines and not internal combustion engines. The Tribunal observed that gas turbine engines function through a distinct process of intake, compression, combustion and exhaust, and are separately recognized under Chapter 84 of the Customs Tariff. Consequently, generators imported for use with such engines could not be classified under CTH 8511, which applies only to equipment used with spark-ignition or compression-ignition internal combustion engines. The Tribunal therefore rejected the Department's classification and upheld classification under the tariff heading applicable to gas turbine engines.

PP Jewellers and Diamonds v. Commissioner of Customs CESTAT: Customs Appeal no. 51904 of 2024, Delhi 03 June, 2026

The CESTAT held that an SEZ unit cannot be alleged to have exceeded its authorized procurement limits when it has acted on approvals granted by competent authorities through a Bond-cum-Legal Undertaking. The Tribunal observed that such approvals remain valid and enforceable until withdrawn and cannot be retrospectively disregarded to characterize the unit's activities as unauthorized. It further held that allegations of diversion of goods and non-manufacturing activities cannot be sustained on assumptions, incomplete electronic records, or uncorroborated statements. The Tribunal also emphasized that statements recorded under Section 108 of the Customs Act cannot be relied upon as substantive evidence unless the requirements of Section 138B, including examination and cross-examination of the witness, are satisfied.

Swadeshi Soap Industries Case, West Bengal AAR 25 May, 2026

The West Bengal AAR held that laundry soaps remain classifiable as laundry soaps under HSN 34011942 and continue to attract GST at 18%, notwithstanding a Total Fatty Matter (TFM) content exceeding 60%. Rejecting the applicant's claim for classification as toilet soap, the Authority observed that classification must be determined based on product composition, intended use, packaging, labeling, market identity and consumer perception.

The ruling clarified that occasional personal use of a laundry soap does not alter its commercial character, and TFM content alone cannot convert a laundry soap into a toilet soap eligible for concessional treatment available to toilet soaps under the relevant GST notification.

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