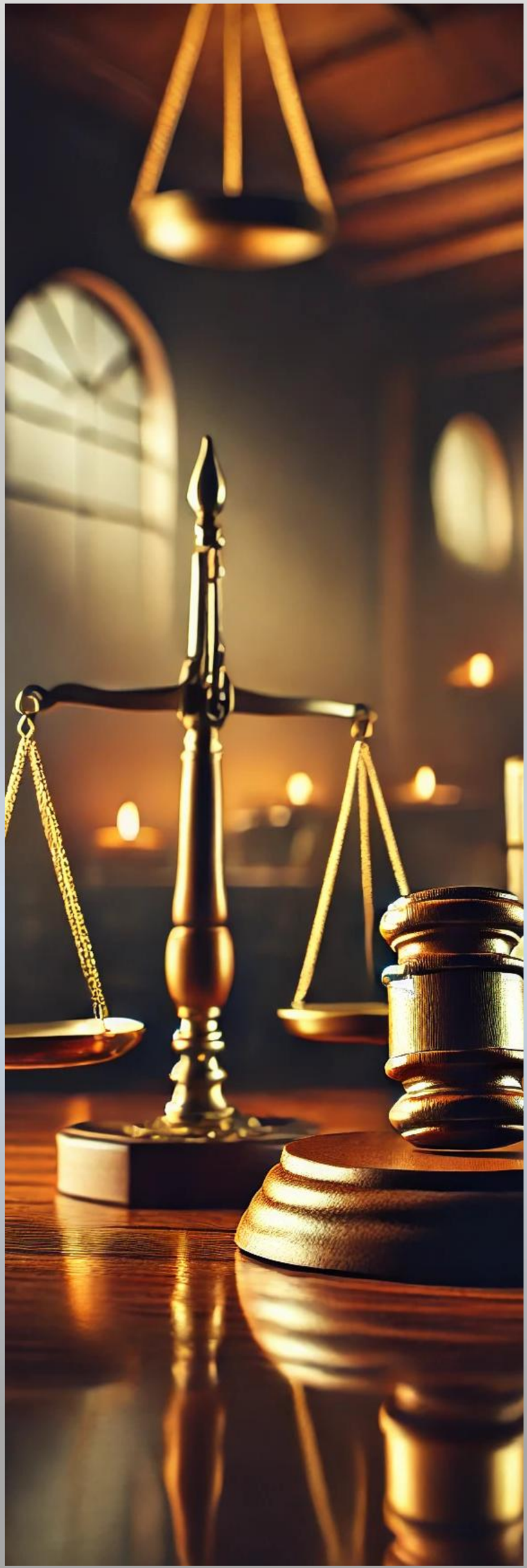
S&S Tax Snippets

31st Ed.



Regulatory Updates

GST Updates:

The Ministry of Law and Justice has notified the Finance Act, 2026 in the Gazette of India on 30.03.2026.

The Ministry of law and Justice has notified that Sections 2 to 129, clause (b) of section 152 and section 156 shall come into force on the 1st day of April 2026. It has been further indicated that Sections 153 to 155 shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Gazette ID CG-DL-E-31032026-271439 in Part II Section 1 of the Official Gazette of India dt. 31.03.2026

GST Settlement of Funds Rules, 2026 notified

The Rules are issued in supersession of the 2017 Rules, with retrospective effect from 01.04.2025. The Rules essentially prescribe norms for various functions required to ascertain the quantum of GST to be divided amongst the States/UTs and the Centre, through reporting of cross-utilization of credit, credit usage, refund claims not filed/rejected, ineligible/time-barred credit etc.

The 2026 Rules define cross-utilisation of credit to mean credit on account of integrated tax for payment of Central, State or Union Territory tax, which was missing in the earlier Rules. The Rules also include new apportionment buckets such as OIDAR services, refund not claimed/rejected, time barred credits, etc. to actively reconcile tax outcomes and capture revenue leakage. The Rules also introduce a Standard Operating Procedure that are to be formulated under the Rules, reduce the number of Forms to be filed, and strengthen the dispute resolution structure by providing 3 months' time limit for States to raise discrepancies and for them to be resolved, respectively.

Notification No. G.S.R. 225(E) dated 30.03.2026

Customs:

Amendment made to provision pertaining to Certificates of Origin

The Central Government has made amendments to the Para 2.62 of the FTP 2023 with immediate effect

Effect: Certificates of Origin can only be issued by agencies authorised for the purpose. Exporters are mandated to use identical invoice numbers in Certificates of Origin and Shipping Bills to enable automated utilisation verification.

Further amendment has been made to the Handbook Procedure to the effect that Authorised agencies for issuance of Certificate of Origin may accept and issue the certificates only from the designated electronic platform as specified by DGFT.

Notification No. 5/2026-27, dt. 7.04.2026

Public Notice No. 1/2026-27, dt. 7.04.2026

Amendment to UAE-Origin Goods Exemption Notification

The Central Government exercising powers under Section 25 of the Customs Act, 1962, has issued Notification No. 9/2026-Customs dated 31 March 2026, amending Notification No. 22/2022-Customs, which operationalises duty concessions under the India–UAE Comprehensive Economic Partnership Agreement (CEPA). The amendment substitutes Table I, Table II, and Table III of the principal notification, revising the tariff structure applicable to specified goods imported from the United Arab Emirates. The revised framework continues to provide concessional or nil basic customs duty rates, including specified relief in respect of Agriculture Infrastructure and Development Cess (AIDC), along with tariff rate quota (TRQ)-based concessions for goods of UAE origin, in accordance with the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020. The amendment shall be effective from 1st April 2026.

Notification No. 9/2026-Cus dt. 31.03.2026

Amendment to Notification No. 36/2001-Customs (N.T.)

The CBIC has issued Notification No. 11/2026-Customs (N.T.) dated 30.01.2026, amended Notification No. 36/2001-Customs (N.T.) to revise tariff values for specified imported goods under Section 14(2) of the Customs Act, 1962. The amendment substitutes Table 1, Table 2, and Table 3, revising tariff values for key commodities such palm oil, Gold, silver, Areca nuts etc.

Notification No. 11/2026-Cus (N.T.) dt. 30.01.2026

Customs Notification No. 10/2026: Duty changes across major product categories

Notification No. 10/2026-Cus, effective 01.04.2026, substitutes Table 1 of Notification No. 25/2021-Cus dated 31.03.2021 and revises duty rates across a wide spectrum of goods. The changes reflect the Government's trend in granting exemptions / concessional rates to essential products while imposing heavier duty on sin goods, as indicated in the Union Budget 2026. Notably, most fish and seafood items now attract low or nil rate. Several processed food items are fully exempt, while certain bakery products attract moderate rates (4.3%–18%). Preserved fruits largely enjoy nil duty, but niche categories attract ~8.6%. It is to be noted that specified food preparations under CTH 2106 (sharbat, pan masala, supari, etc.) attract 90% duty. Most medicaments attract a concessional 4% duty, while medical devices largely remain exempt or taxed at low rates.

Notification No. 10/2026-Cus dt. 31.03.2026

Enabling ease of doing business for e-commerce and courier

Courier Imports and Exports (Electronic Declaration and Processing) Amendment Regulations, 2026 and Courier Imports and Exports (Clearance) Amendment Regulations, 2026 were made to ease the imports and exports through courier mode especially for e-commerce exporters for the ease of doing business.

Further, as part of the Customs Reforms to be implemented in 2026, the following changes have been made to enable ease of Business:

- Remove the value limit fixed for commercial export consignments through courier mode.
- Allow Return to Origin (RTO) for uncleared/ unclaimed goods imported in courier mode and,
- Ease the process of re-import of returned and rejected goods in courier mode.

In accordance with the above, amendments have been made to Courier imports and Exports (Electronic Declaration and Processing) Regulations, 2010 and Courier Imports and Export (Clearance) Regulations, 1998.

Circular No. 17/2026-Cus, dt. 31.03.2026
Notification No. 33/2026-Cus, dt. 31.03.2026
Notification No. 34/2026-Cus, dt. 31.03.2026

CBIC mandates faceless assessment for SEZ to DTA clearances under concessional duty

The Board has decided that whenever a Bill of Entry is filed for clearance of goods manufactured by a unit in SEZ and removed to the DTA, such bill of entry will be assessed under faceless assessment, to enhance uniformity and efficiency in assessment. Such bills of entry shall also be routed through the Risk Management System (RMS). Customs Automated System will assign such bills of entry to faceless assessment officers.

The existing procedure for filing of Bills of Entry by SEZ units and all other compliance requirements under the SEZ Act, 2005 and SEZ Rules, 2006 remains unchanged. In addition, the specific compliance requirement as prescribed by Notification No. 11/2026-Customs, dated the 31st March, 2026, will have to be followed for availing

the concessional rate of duty for clearance of goods from SEZ to DTA. Further, any grievance of the trade relating to delays in assessment or other difficulties in implementation shall be addressed through the ICEGATE Helpdesk.

Circular No. 18/2026- Cus, dt. 01.04.2026

S&S Case Roundup

Cases Handled by us

The location of service provider in India cannot be considered as Fixed Establishment of the Foreign Service Recipient even if manpower services are provided by physically being in India and hence the services qualify as export

The Appellant provided IT, staffing, and workforce management services to overseas clients during the period October 2013 to June 2017. The Department alleged that manpower supplied to foreign clients was deployed within India at the assessee's premises and therefore did not qualify as "export of services" as the assesses location qualified as fixed establishment of such foreign entity and consequently a demand of service tax along with interest and penalty was confirmed on the ground that the place of provision of services was in India.

It was argued on behalf of the assessee that as per the contract with the foreign entity, the recipient was located outside India, and the services were also consumed outside India. Furthermore, since the consideration was received in convertible foreign currency, the service rendered constitutes an export of service, regardless of the fact that the services were performed in the premises of the assessee in India. This would not be considered as a "fixed establishment" as per law.

The Department contended that the assessee was merely supplying manpower, and such personnel worked from locations in India. It argued that the client's presence in India through such arrangements constituted a "fixed establishment," thereby making the place of provision India. Consequently, the services were taxable and not exports.

The Tribunal held that temporary use of premises and infrastructure in India does not create a "fixed establishment" for foreign clients. The recipient remained located outside India, and all conditions of export were satisfied. Accordingly, the services were treated as exports, and the demand, interest, and penalty were set aside.

Allegis Services (India) Pvt. Ltd. v. Commr. of Central Tax, Service Tax Appeal No. 20664/2021, CESTAT Bangalore

CESTAT holds substantive export benefits cannot be denied for procedural irregularities in absence of misuse

The appeals concerned demand of customs duty on the allegation that the appellant wrongly availed benefits under DFIA /Advance Authorisation schemes by submitting forged ISO certificates and manipulated test reports. The appellant, a manufacturer-exporter, imported duty-free inputs, fulfilled export obligations, and obtained Export Obligation Discharge Certificates (EODCs) from DGFT. The department alleged absence of in-house testing facilities, falsified ISO certification, and non-compliance with Standard Input Output Norms (SION) and thereby denied exemption benefits.

The appellant contended that ISO certification was not mandatory for availing benefits but only enabled procedural relaxation and in the facts of the case it was undisputed that samples were also drawn by authorities and test reports showed conformity. Further, there was no allegation of diversion of imported inputs and EODCs had attained finality.

The Tribunal held that ISO certification is not a substantive requirement for availing DFIA/AA benefits but only a procedural facilitation. Since departmental testing did not reveal discrepancies and there was no allegation of diversion or misuse, substantive compliance was established. It held that SION norms are only indicative and cannot be the sole ground for denial. Accordingly, denial of benefits based on procedural lapses was unsustainable and the Impugned Order was set aside.

Midas Treads (India) Pvt. Ltd. v. Commr. of Customs, Customs Appeal No. 20942/2019, CESTAT Bangalore

CESTAT set aside the Order confirming the demand of Service Tax on entire works contract turnover

An Order was passed against the Appellant engaged in providing works contract services under the categories of 'Works Contract', 'Construction of Commercial or Industrial and Civil Structures' and 'Construction of Residential Complex' confirming the demand of Service Tax by denying the abetment claimed in terms of Notification No. 1/2006-ST dated 01.03.2006 on the ground that the value of steel and cement provided by the Customers were not included. Further, the department also denied the eligibility to the Composition scheme with regard to works contract services undertaken by the Appellant.

It was argued before the Hon'ble CESTAT that for the contracts entered into post introduction of works contract i.e., from 01.06.2007, the Appellant opted for payment under works contract composition scheme. For the prior period, the Appellant continued to pay tax under the category of construction services and therefore rightly claimed the abetment under the said Notification. Further, with regard to works contract services, it was submitted that the Appellant had discharged VAT on the majority of the portion under compounded rate of tax and therefore the demand of Service Tax on the entire value is not sustainable and the Appellant is eligible for abetment provided under the said Notification. In this regard, the reliance was placed on the decision of Ahmedabad Tribunal in case of ***P&H Associates v. Commissioner of Central Excise and Service Tax, Vadodara, ST/10431/2015-DB*** wherein it was held that for the period 2008, assessee therein was eligible for abetment of 67% under Notification dated 01.03.2006 from the gross value charged from their client. Additionally, relying on the decision of the Apex Court in case of ***Bhayana Builders (P) Ltd v. Commissioner of Service Tax, Delhi, CA No. 1335/2015,*** it was also submitted that the value of steel and cement supplied by the Customers free of cost is not includable in the taxable value.

The Tribunal held that the Appellant is eligible for the abetment of 67% in respect of works contract wherein the service tax is paid on construction services and held that the demand confirmed in the

impugned order without considering the value of sale of goods on which VAT is paid and rejecting the abetment is liable to be set aside.

AB Tek Constructions v. Commr. of Central Excise, Customs & Service Tax, STA No. 1764/2011 & Ors., CESTAT Bangalore

Courtroom Updates

State GST officers from other States lack jurisdiction over inter-state transit

The Petitioners challenged proceedings under Sections 129 and 130 of the CGST Act initiated against various inter-State movement of goods, by State GST officers in the State of Andhra Pradesh, where neither the origin nor destination of the goods were in the State of Andhra Pradesh. The goods were detained alleging undervaluation.

The Petitioner contented that firstly, State officers in AP have no jurisdiction to initiate proceedings under Section 129/130 for movement of goods under the IGST Act, and secondly, that question of valuation cannot be taken up under Section 129/130 in the first place. It was argued that APGST officers cannot be cross-empowered with a Notification by the Central Government

The Hon'ble Court held that the provisions of Section 130 indicate that the officer who can pass an order of confiscation and penalty is only the "proper officer", defined under Section 2(91). Section 6 of CGST Act and Section 4 of the IGST Act provide for cross-empowerment of officers appointed under the State GST Act to act as proper officers under the CGST and IGST Acts.

It observed that an officer appointed under the APGST Act would be cross empowered under the CGST or IGST Act in relation to a tax payer, only when such tax payer has been allotted to the State and the State officer is the "proper officer", assigned to discharge the said function, by the Chief Commissioner and vice versa for Central officers. Furthermore, a "proper officer" appointed under the APGST Act can discharge such functions under the IGST Act in relation to inter-state sales, only when the State is entitled to an allocation of a share of the tax, under section 17 of the IGST Act, in relation to such transaction. This therefore excludes transactions which originate outside the State and culminate outside the State.

Furthermore, as per various High Court rulings such as in ***Alfa Group v. The Assistant State Tax Officer, 2020 (34) G.S.T.L. 142,*** and ***Panchi Traders v. State of Gujarat, 2025-VIL-1269-GUJ***, the High Court held that questions of seizure or confiscation would not arise before a proper officer under Section 129 or 130, even in the normal course, on grounds of variation in valuation.

Golden Traders v. Dy. Asst. Commr. of State Tax, W.P. No. 541/2026, Andhra Pradesh High Court

No GST on pigmy agents' commissions due to employer-employee relationship with banks

The petitioner, a Bank, challenged multiple SCNs issued under the CGST/KGST Acts alleging non-payment of GST under RCM on commissions paid to pigmy agents. The SCNs alleged that such agents acted as business facilitators.

The Bank argued that pigmy agents are employees, not independent service providers. Relying on judicial precedents, it was contended that their remuneration, though termed

"commission," constitutes wages, and the Bank exercises significant control and supervision over their work. Accordingly, services rendered fall under Schedule III of the CGST Act (services by employee to employer), which are transactions that do not constitute "supply" in GST. It was further argued that pigmy agents are not "business facilitators" under RBI guidelines, and hence reverse charge provisions do not apply.

The Department contended that pigmy agents are independent agents paid commission and function as business facilitators aiding banking operations. It argued that the relationship is principal-agent, not employer-employee, thereby attracting GST under RCM.

The Court held that the relationship between the Bank and pigmy agents is one of employer-employee, based on control, supervision, and economic dependence. The substance of the arrangement prevails over nomenclature, and "commission" paid is in the nature of wages.

Consequently, services rendered fall under Schedule III and are excluded from the ambit of "supply". The Court further held that pigmy agents cannot be classified as "business facilitators," as they do not operate within the RBI-recognized framework for such intermediaries. Since the foundation of the SCN was flawed, they were quashed for want of jurisdiction. The challenge to limitation-extension notifications was left open.

Karnataka Vikas Grameena Bank v. Dy. Commr. of Commercial Taxes, W.P. No. 100806/2024, Karnataka High Court, Dharward Bench

Promissory estoppel against State for failure to grant SEZ octroi exemption

The Petitioner, an SEZ developer at Kharadi, Pune, was promised exemption from State and local taxes, including octroi, under the Maharashtra SEZ Policy dated 12.10.2001. Pursuant to approvals under the SEZ Act, 2005, the Petitioner commenced operations but was required by the Pune Municipal Corporation (PMC) to pay octroi for the period 2005 to 2011, which was paid under protest. The claim for exemption and refund was rejected on the ground that no amendment had been made to the governing municipal law enabling such exemption.

The principal issues were whether the Petitioner was entitled to exemption/refund under the SEZ Policy, whether such claim could be enforced in absence of statutory amendment, and whether the liability to refund lay with the State Government or the PMC. The Petitioner invoked promissory estoppel, contending that it had altered its position relying on the State's promise. The State contended that octroi was collected and retained by PMC and hence not refundable by it, while the PMC contended that exemption could not be granted without statutory backing and estoppel cannot override legislation.

The Court held that the SEZ Policy unequivocally promised exemption from octroi and the State was bound to ensure its implementation. While accepting that PMC could not refund in absence of statutory provisions under the Maharashtra Municipal Corporations Act, 1949, the Court found the State at fault for failing to exercise its powers to amend or direct amendment of rules. Applying the doctrine of promissory estoppel, the court held that the State must honor its promise. Accordingly, the Petitioner was held entitled to refund with 6% interest, payable by the State, establishing that failure of statutory implementation cannot defeat a binding policy promise.

Eon Kharadi Infrastructure Pvt Ltd v. The State of Maharashtra and Ors., Writ Petition No.5275 of 2013, Bombay High Court

Supreme Court decision on extension of limitation during COVID is applicable for refund matters

The Petitioner filed an application for refund of ITC on 09.02.2024 and subsequently refiled same on 13.03.2024 after the rectifying the deficiencies. However, the said application was rejected vide Order dated 16.08.2024 on the ground that the same was beyond the period of 2 years provided under Section 54 of the CGST Act from the relevant date. The said order was challenged before the High Court.

The Hon'ble High Court concluded that in view of the judgment of the Hon'ble Supreme Court and Notification No. 13/2022-CT dated 05.07.2022, the period from 01.03.2020 to 28.02.2022 shall be excluded for computing the period of limitation under the said provision. Therefore, the period of limitation would commence only from 28.02.2022 and accordingly, the due date for filing the application would be 27.02.2024.

Hence, the High Court concluded that application was within the period of limitation prescribed under Section 54 of the CGST Act and therefore, remanded the matter back to the Respondent to consider the application in accordance with law without going into the question of limitation.

MC Wane India Pvt Ltd v. State of AP, WP No. 26816/2024, Andhra Pradesh High Court

Provisional attachment of Bank Account cannot be extended for a further period in the absence of order extending the same.

Provisional attachment orders were issued against the Petitioner, freezing bank accounts remained frozen for a period beyond 6 months. Section 110 of the Customs Act provides the proper officer the power to provisionally attach any bank account for a period not exceeding 6 months during any proceedings. Therefore, in accordance with Section 110 of the Customs Act, provisional attachment expires after 6 months and in the absence of any order extending the same before the expiry of the 6 months, the provisional attachment would cease to operate.

In view of the same, it was held that the impugned orders of attachment have lapsed by the operation of law and hence are rendered illegal and invalid.

Di Lusso Furniture LLP. v. UOI, WP(L) No. 28463/2025, Bombay High Court

Department not empowered to alter the transaction value for drawback and other export incentive schemes in terms of export valuation Rules under Section 14 of the Customs Act

An SCN was issued to the assessee rejecting FOB value of the export goods declared under Section 14(1) of the Customs Act read with Rule 8 of Customs Valuation (Determination of Value of Export Goods) Rules, 2007 ('Rules') and therefore proposed to reduce the duty drawback and benefits under Merchandise Exports from India scheme ('MEIS') claimed by the assessee basis FOB value.

CESTAT upon perusal of Section 14 held that the provision empowers CBIC to fix tariff value for any goods and if there is no tariff value, the transaction value shall be value for the purpose of payment of duty. Neither the tariff value nor the determination of value by proper officer can alter the transaction value between the buyer and the seller.

Further, it was also observed that drawback, MEIS are provided as percentage of FOB value of the goods and not as per value determined by the proper officer under Section 14. Therefore, Additional Commissioner cannot override the FTP framed by the Central government which the provides for MEIS and conclude that it shall be on value determined by him instead of the FOB value.

Standard Cartons Pvt Ltd v. Commr. of Customs, Customs Appeal Nos. 51729/2025, CESTAT, Delhi

THANK YOU

For further queries/information please get in touch with us

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