S&S Tax Snippets

33rd Ed.

Regulatory Updates

GST Updates:

Principal Bench of GSTAT empowered to act as the National Appellate Authority for Advance Ruling

The Central Government, on recommendations of the GST Council, has empowered the Principal Bench of the GSTAT to hear appeals made under Section 101B of the CGST Act, 2017. The National Appellate Authority is empowered to hear appeals from conflicting advance rulings of Appellate Authorities for Advance Rulings of two or more States or Union Territories or both.

Section 101B of the Act provides a 30-day limitation period for appeals to be filed (90 days in case of Department appeal). However, the explanation to Section clarifies that the said 30/90-day period shall be counted from the date of communication of the last of the conflicting rulings sought to be appealed against.

Notification No. 02/2026-Central Tax dated 07.05.2026

Customs:

Customs Duty Amendments on Precious Metals and Related Goods

The Central Government has issued the said Notification, amending Notification Nos. 11/2018-Customs and 11/2021-Customs with effect from 13.05.2026. The amendments primarily impact the customs duty structure applicable to precious metals, coins, findings, spent catalysts, and related tariff items.

The Notification expands the scope of concessional entries under Notification No. 11/2018-Customs to include tariff headings 7107, 7109, 7111, and 7112 in addition to heading 7108. Further, entry 54A has been omitted and entry 56A has been substituted to cover all goods falling under heading 7118.

Amendments have also been made to Notification

Customs:

No. 11/2021-Customs by revising the effective customs duty rates for several categories of goods. Duty rates on specified precious metal goods, findings, and coins have been rationalized between 4.35%, 5%, and 5.4%.

Importantly, a concessional rate of 4.35% has been prescribed for import of spent catalysts or ash containing precious metals under heading 7112, subject to compliance with the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 and production of environmental clearances.

Notification No. 16/2026-Customs dated 12.05.2026

Extension of validity of the circulars to mitigate challenges arising from ongoing disruptions in maritime routes due to closure of Strait of Hormuz

The benefits extended under Circular Nos. 09/2026-Cus dated 08.03.2026, No. 10/2026-Customs dated 10.03.2026, No. 12/2026-Customs dated 17.03.2026, Circular No. 15/2026-Customs dated 27.03.2026, No. 19/2026-Customs dated 10.04.2026 and No. 21/2026-Customs dated 15.04.2026 such as waiver of fess for amendment or cancellation of Export documents etc., due to force majeure situation arising out of closure of Strait of Hormuz shall continue to remain in force up to 15.05.2026. It is also clarified that all other facilities, terms and conditions as stipulated in the said Circular remains unchanged.

Circular No. 22/2026-Customs dated 04.05.2026

Amendments to Handbook of Procedures to include India-United Kingdom Comprehensive Economic and Trade Agreement

Amendment has been made to Para 2.88 of the Handbook of Procedure, 2023 to insert the India-United Kingdom Comprehensive Economic and Trade Agreement in the existing list of Free Trade

Agreements and subsequently, amended Para 2.91 to specify that in case of India-EFTA TEPA and India-UK CETA, Certificate of Origin may also be obtained on the basis of self-declaration by the exporter concerned, in addition to issuance of Certificate of Origin by an authorized agency.

Further, in Public Notice No. 10/2026-27, the list of authorized agencies have been provided for issuance of the Certificate of Origin for India-United Kingdom Comprehensive Economic and Trade Agreement.

Public Notice No. 09/2026-27 and 10/2026-27 dated 11.05.2026

DGFT Updates:

DGFT Extends Minimum Import Price on Virgin Multi-layer Paper Board till 30 September 2026

The DGFT, vide Notification No. 14/2026-27 dated 30 April 2026, has extended the Minimum Import Price (MIP) condition applicable to specified paper board products covered under Chapter 48 of ITC (HS), 2022. The notification continues the existing MIP of INR 67,220 per Metric Ton (MT) on CIF value for imports of Virgin Multi-layer Paper Board (VPB) till 30 September 2026, with all other conditions remaining unchanged.

The extension has been issued in continuation of earlier notifications and policy circulars and is aimed at regulating low-priced imports while supporting the domestic paper board manufacturing industry. Importers should accordingly ensure compliance with the prescribed MIP threshold for future consignments.

Notification No. 14/2026-27 dated 30.04.2026

High Court Reaffirms CENVAT Credit Benefit for Imported Services

The High Court dismissed the appeal filed by the Revenue against the Respondent, with respect to utilization of CENVAT credit for payment of service tax under RCM. Revenue contended that a recipient of services imported from outside India could not utilize CENVAT credit to discharge service tax liability, relying on Rule 5 of the Taxation of Services Rules, 2006, Rule 3(4) of the CENVAT Credit Rules, 2004, and departmental circulars.

The Court observed that the issues raised were already settled by earlier coordinate bench decisions such as ***CCT, GST West Commissionerate, Bangalore v. Toyota Kirloskar Motors in C.E.A. No.59/2019, CST v. Aravind Fashions Ltd. in 2012 (25) S.T.R. 583 (Kar.) and CCE v. Godavari Sugar Mills Ltd. in 2015 (40) S.T.R. 1063 (Kar.).*** The Court reiterated that under the legal fiction created by Section 68(2) of the Finance Act, 1994 read with Rule 2(1)(d) of the Service Tax Rules, a recipient of services under reverse charge is deemed to be the service provider for the purpose of tax liability. Consequently, such recipient is entitled to utilize CENVAT credit for payment of service tax.

The Court noted that a similar view had been taken by the Rajasthan High Court and the Supreme Court had declined to interfere. Following the precedents, the High Court held that no substantial question of law arose, and dismissed appeal preferred by the Revenue.

Principal Commr. v. Mphasis Ltd, CEA No.27 of 2024, Karnataka High Court

Karnataka High Court stays Revision Notice issued under Section 263 of the Income-tax Act, 1961 proposing to revise an intimation issued pursuant to a revised return

The Petitioner was in receipt of employee stock options, which were liable to be extinguished due to an acquisition of the Petitioner's employer. In lieu thereof, the Petitioner's employer offered compensation to the Petitioner, which the Petitioner initially offered to tax under the head 'Salary'. Subsequently, the Petitioner sought to revise his return, offering the amount under the head 'Capital Gains', entitling the Petitioner to refund.

Since the statutory time limit prescribed under Section 139(5) of the Act for filing a revised return had expired, the Petitioner applied for condonation of delay under Section 119(2)(b) of the Act, which was decided in favour of the Petitioner by the Ld. Principal Chief Commissioner of Income Tax, and the Petitioner filed a revised return of income under Section 139(5) of the Act claiming refund, and received an intimation under Section 143(1) of the Act to this effect.

Subsequently, the Petitioner was in receipt of a notice under Section 263 of the Act, proposing to revise and set aside the intimation under Section 143(1) of the Act on the ground that the amount is rightly classifiable under the head 'Salary', and hence, the intimation is erroneous insofar as it is prejudicial to the interests of the Revenue.

The Petitioner moved the Hon'ble Karnataka High Court against this Notice, wherein it was argued on behalf of the Petitioner that an intimation under Section 143(1) cannot be subjected to revision as it not an 'order' referred to Section 263 of the Act. It was argued that the intimation is issued mechanically/automatically by the Centralized Processing Centre, and there is no human intervention, or application of human mind for invoking revisionary power under Section 263 of the Act. It was argued that this proposition is squarely covered by the decision of the Hon'ble Supreme Court in ***ACIT v. Rajesh Jhaveri Stock Brokers (P) Ltd., (2007) 291 ITR 500 (SC).*** The Hon'ble Court was also taken through relevant provisions, including the evolution of Section 143 and 263 of the Act, with particular emphasis on the omission of an Explanation to Section 143 of the Act, which stated that an intimation under Section 143(1) is to be treated as an order for the purposes of Section 264 of the Act.

In light of the arguments, the Hon'ble Court was pleased to grant interim protection to the Petitioner, by directing that the Respondent authorities to not proceed further pursuant to the impugned revision Notice.

W.P. No. 5330/2025, Karnataka High Court

CESTAT Bengaluru sets aside a demand of IGST forming part of Customs duty on the ground that extended period of limitation cannot be invoked

An Appeal was filed by a leading Public Sector undertaking before the Hon'ble CESTAT Bengaluru challenging the Order denying the exemption benefit availed by the Company under the Notification No. 19/2019 dated 06.07.2019 in respect of import of software required for Missile System.

It was submitted on behalf of the Company that the department confirmed the present demand by invoking extended period of limitation on the grounds that the description 'Software' is not specified under Sl. No.21 of the said notification and the Joint Secretary Certificate covered exemption to an analysis report and not procurement of software. It was submitted that the Company being a public sector undertaking, imported Software pertaining to LRSAM system and MFSTAR for defence purposes, thus it cannot be said that the company has intention to evade payment of duty as the company is. Further, the Company under a bonafide belief that the said import qualifies for exemption under Notification No.19/2019.

The Hon'ble CESTAT observed that merely because the imported software is not supplied to Ministry of Defence cannot be a ground to deny exemption benefit under the exemption notification. The tribunal held that extended period of limitation cannot be invoked merely because it is a case of self-assessment. Further, the Company being a public sector undertaking under the Ministry of Defence and the imported Software being for defence purposes, indicated that the Company had no intention to evade payment of duty. Therefore, invocation of extended period of limitation in the facts and circumstances of the case is not justified. Accordingly, the Hon'ble CESTAT by holding that the invocation of extended period of limitation is unsustainable and set aside the Order, thereby allowing the Appeal.

Bharat Electronics Limited v. Principal Commissioner of Customs, Customs Appeals No.20295/2025

CESTAT set aside Service tax demands holding that the procedural lapses cannot override statutory rights

The Appellant challenged an order confirming demand on irregular availment and utilization of CENVAT credit, liability under RCM for services received from overseas entities and wrongful availment of exemption on services rendered to SEZ units. It was contended before the Hon'ble Tribunal that the non-registration as an ISD cannot be valid ground for denial of CENVAT credit and it is merely a procedural lapse and not a condition precedent for availing credit. Similarly, with respect to SEZ services, it was contended that the said services were consumed for authorized operations and therefore exemption cannot be denied basis the procedural lapses. Further, regarding RCM liability it was submitted that the services under consideration therein are performed outside India by overseas service provider and in terms of Place of provision of Services Rules, 2012, the place of provision for such services is outside India and therefore not taxable.

The CESTAT while setting aside the Order observed that the non-registration as ISD is a procedural lapse and cannot be a ground to deny substantive CENVAT credit. With regard to services provided to SEZ units, the Tribunal held that substantive conditions are fulfilled by the Appellant and therefore is eligible for exemption for said services. It was further observed that the services provided by the overseas entity were performed outside India and hence is not liable to tax under RCM.

M/s. Quantium Mail Logistics Solutions Ltd v. Commissioner of Central Tax, ST/20089/2022

Amounts paid pursuant to consent terms to satisfy arbitral award, not an act "tolerating" a situation

Docomo was a 26% shareholder in Tata Teleservices Ltd., ("TTSL"), both parties being governed by a Shareholder's Agreement ("SHA"). Upon TTSL failing to meet certain performance indicators, the Petitioner was bound to purchase or find a buyer for the shares held in TTSL by Docomo at a certain price. As the Petitioner was unable to do so, the dispute between Docomo and the Petitioner was referred to arbitration, and the arbitral award directed the Petitioner to pay damages to Docomo. Enforcement proceedings were initiated in various jurisdictions, including in India.

The parties filed Consent Terms before the Hon'ble Delhi High Court which considered the award to be enforceable in India and treated it to be a deemed decree. As per the Consent Terms, the Petitioner deposited INR 8450 crores with the High Court Registry, which was subsequently remitted to Docomo and Docomo withdrew enforcement proceedings against the Petitioner in all jurisdictions.

An intimation in Form GST DRC-01A and SCN were issued by the DGGI, alleging that Docomo, by its act of tolerating the Petitioner's default, had supplied a service in the nature of tolerating an act, thus falling under Entry 5(e) of Schedule II of the Act. The said intimation alleged that the Petitioner had imported a service, and the Petitioner was liable to discharge tax on RCM basis. Both the intimation and Show Cause Notice were challenged before the Hon'ble Bombay High Court.

The Petitioner argued that the proceedings were squarely covered by Circular No. 178/10/2022-GST dated 03.08.2022 and Circular No. 214/1/2023-Service Tax dated 28.02.2023, which clarified that an agreement between parties must refer to an activity of refraining from an act or tolerate an act, and there is a flow of consideration for this activity. The Department argued that as per the arbitral award, the award was required to be satisfied within 21 days. However, the parties entered into Consent Terms which provided the Petitioner 6 months to deposit the monies awarded, which constitute a new and independent agreement, as the obligations thereunder (such as withholding taxes, appointing an Authorized Dealer for remittance, suspension and withdrawal of proceedings in other jurisdictions, etc.) go beyond the arbitral award.

The Hon'ble Bombay High Court held settlement between parties in enforcement proceedings cannot be construed as an independent supply under GST. Mere satisfaction of an award by the judgment debtor, and Docomo agreeing to withdraw the execution proceedings, which are incidental and integral to the award, cannot be regarded as creating any independent agreement beyond the scope of the award itself. The payment of damages under the arbitral award was a mere flow of money from the party who caused the breach to the party who suffered the loss and did not constitute consideration for any "supply" under GST. Hence, the Writ Petition was allowed.

Tata Sons Pvt. Ltd. v. UOI, W.P. No. 4914/2022, Bombay High Court

Classification of Aircraft Integrated Drive and Starter Generators

The CESTAT, New Delhi, considered the classification of "Integrated Drive Generators" (IDG) and "Starter Generators" (SG) imported by InterGlobe Aviation Limited for use in aircraft engines. The Customs Department classified the

goods under Customs Tariff Heading (CTH) 8511, applicable to electrical starting or ignition equipment used with internal combustion engines, attracting a higher IGST rate of 28%. However, the appellant contended that the goods were correctly classifiable under CTH 8501 as electric generators, attracting 18% IGST.

The Tribunal noted that both the IDG and SG are essentially "electrical generators." The IDG generates AC power for the aircraft's electrical systems, while the SG initially functions as a starter motor and thereafter operates as a DC generator supplying power to aircraft components. Since CTH 8501 specifically covers "electric motors and generators (excluding generating sets)," the Tribunal held that the goods naturally fall within this heading. The imported goods, were used with turboprop/turbofan gas turbine engines classified under CTH 8411, which are technically distinct from conventional spark-ignition and compression-ignition engines covered under CTH 8407 and 8408. Accordingly, the Tribunal classified the IDG under CTI 8501 62 00 and the Starter Generator under CTI 8501 32 20.

The Tribunal also held that mere misclassification does not justify invocation of the extended limitation period or penalties absent suppression or intent to evade duty. Consequently, all demands and penalties imposed on InterGlobe Aviation and C.G. Logistics Limited were set aside, and all appeals were allowed.

Interglobe Aviation Ltd. v. Principal Commissioner of Customs, Customs Appeal No. 55094 of 2023, CESTAT, Delhi

Karnataka High Court holds that issuance of consolidated show cause notice for multiple financial periods is permissible

Multiple writ appeals were filed before the High Court challenging the order of the learned Single Judge Bench quashing the common/consolidated show cause notices issued under Section 73/ 74 of the CGST Act covering more than one tax period/ financial years. The issue for consideration before the Hon'ble Court was whether consolidated show cause notices can be issued under Section 73/74 of the CGST Act covering multiple tax periods.

In this regard, the Court held that a combined reading of various section which govern various modes of assessment, indicate that in the event of any default, the consequence is initiation of proceedings under Section 73/74 of the CGST Act. However, the provisions do not indicate that such proceedings are confined to a financial year. A conjoint reading of the provisions would indicate that the statute either employs the expression 'any period' or does not refer to any period at all. The limitation prescribed under sub-section (10) operates within a limited sphere and does not control or restrict the scope of issuance of notice under Section 73/74 of the CGST Act.

Further, it was held that sub-section (10) operates with reference to the financial year, and each component period covered in the show cause notice must independently satisfy the test of limitation prescribed therein. If any portion of the period covered by the notice is demonstrated to be beyond the limitation stipulated under sub-section (10), the same would be liable to be excluded as being time barred. However, issuance of a consolidated show cause notice would not dilute or take away the protection of limitation available under sub-section (10) of Sections 73 and 74 of the Act. In view of the above, the Hon'ble High Court held that the order of the Sigle Judge is not sustainable and liable to be set aside.

The Commissioner of Central Tax v. Chimney Hills Education Society Writ Appeal No. 1751/2024, Writ Appeal No. 1590/202, Writ Appeal No. 7/2025, Writ Appeal No. 407/2026, Writ Appeal No. 495/2026, Writ Appeal No. 555/2026, Karnataka High Court.

Corporate Guarantee provided without receiving any consideration cannot be considered as taxable supply of services

The Petitioner has executed corporate guarantees for securing the loans taken by its 3 subsidiary companies from State Bank of India and Bank of Maharashtra without any consideration for such corporate guarantee. The Department initiated proceedings against the Petitioner for non-payment of GST on corporate guarantee. The Petitioner challenged the said proceedings and validity of amendment to Rule 28(2) of the CGST Rules, 2017 which provided for the valuation of corporate guarantee services between related persons.

The Hon'ble High Court observed that corporate guarantee is a guarantee provided by the corporate to cover the loan availed by related entity and is in the nature of contingent contract which will be enforceable at the instance of default of payment. The High Court relying on the decision of the Apex Court in Commissioner of CGST & Central Excise vs. Edelweiss Financial Services Ltd (Civil Appeal Diary No. 5258/2023) concluded that corporate guarantee provided without any consideration will not be leviable to tax and thus the same is not in the nature of supply and supply of services taxable under Section 9 of the CGST Act.

Further, with regard to constitutional validity of amendment to Rule 28(2) of the CGST Rules, the Hon'ble Court rejected to interfere with and observed that the Petitioner therein has failed to demonstrate violation of Article 19(1)(g) of the Constitution of India.

DP Jain & Co. Infrastructure Pvt Ltd. v. UOI, WP No. 2087 of 2025, Bombay High Court

High Court upholds validity of Section 16(2)(c): ITC conditional upon Supplier's tax payment to Government

The Gujarat High Court has upheld the constitutional validity of Section 16(2)(c) of the CGST Act, 2017, reaffirming that ITC can be availed by a purchasing dealer only when the supplier has actually remitted the corresponding tax to the Government. The Court rejected the challenge to the vires of the provision under Articles 14, 19(1)(g), 265 and 300A of the Constitution, holding that the condition prescribed under Section 16(2)(c) is clear, unambiguous and integral to protecting government revenue under the GST framework.

The Court observed that the GST regime operates on a destination-based taxation model, and any dilution or reading down of the provision could have significant fiscal implications. It further held that the burden of proving eligibility to ITC rests on the purchasing dealer under Section 155 of the CGST Act.

At the same time, the Court acknowledged the hardship faced by bona fide purchasers due to supplier defaults and urged the Government to introduce technology-driven mechanisms and appropriate legislative measures to safeguard genuine taxpayers. The Court also directed authorities to prioritise recovery proceedings against defaulting suppliers instead of burdening purchasers with remedial measures.

Maruti Enterprise v. Union of India & Ors., R/Special Civil Application No. 18080 of 2023, Gujarat High Court

THANK YOU

For further queries/information please get in touch with us

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