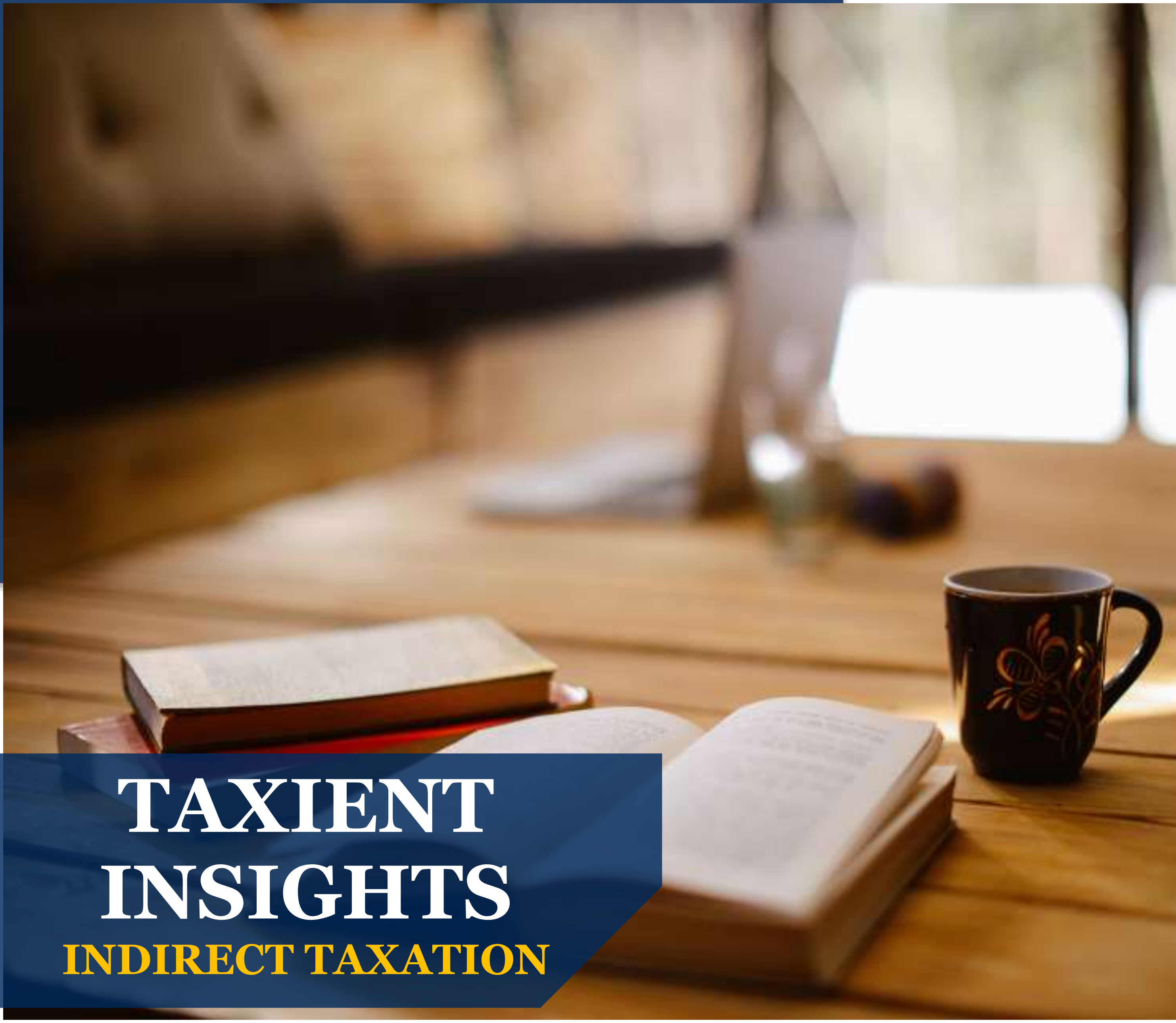
LEX TAXIENT
Advisors LLP



TAXIENT INSIGHTS

INDIRECT TAXATION

Week 3 of June 2026

June 26, 2026

TABLE OF CONTENTS

1. HIGH COURT RULINGS

1.1. High court will not interfere with factual findings if natural justice was followed

The Petitioner challenged an order-in-appeal that confirmed the demand of IGST along with interest and an equivalent penalty. The Revenue's case was that the Petitioner failed to comply with the mandatory conditions for availing benefits of merchant export under **Notification No. 41/2017-IGST (Rate)**. The Petitioner argued that during the appellate proceedings, it had submitted comprehensive documentation including Export General Manifests ('EGMs'), bills of lading and shipping bills to prove the goods were exported and contended that the Appellate Authority ('AA') violated principles of natural justice by failing to consider these records.

The High Court dismissed the Writ Petition and refused to interfere with the appellate order. The Court held that the contention regarding a violation of natural justice was not acceptable because the AA had, in fact, examined the submitted documents. However, the AA found that the EGMs merely reflected shipping bill numbers and failed to establish an invoice wise correlation or provide specific particulars of the goods supplied. In the absence of shipping bills that clearly evidenced this correlation and the date of export, the Court agreed that compliance with the notification could not be conclusively verified. The Court also emphasized that its role under Article 226 of the Constitution is limited to examining the decision making process, such as jurisdictional errors or natural justice violations, rather than re-evaluating the correctness of a factual decision. Consequently, the Petitioner was relegated to seek a remedy before the Goods and Services Tax Appellate Tribunal ('GSTAT'), which is the proper body to appreciate the merits of the evidence.

[Gayathri Enterprises v. JC (Appeals), 2026-VIL-584-TEL]

Taxient Comments: This ruling is an important reminder that High Courts will generally not act as a **'second appellate court'** to re-examine facts or merits. If the lower authority has looked at the documents even if they arrived at a conclusion the taxpayer disagrees with, the High Court is unlikely to intervene unless there is a clear legal or jurisdictional error.

This ruling also highlights the critical importance of **'documentary hygiene'** and precise data correlation when claiming benefit of merchant exporting. It is not enough to simply produce a volume of documents. Those documents must provide a clear, unbroken trail (invoice wise correlation) connecting the supply to the merchant export. The failure to link specific invoices to shipping bills and EGMs was fatal to the Petitioner's case.

1.2. Taxpayer cannot be expected to access GST Portal after business closure

The Petitioner filed a Writ Petition challenging an Order-in-Original. The primary ground for the challenge was a breach of the principles of natural justice. The Petitioner had discontinued its business and successfully obtained the cancellation of its GST registration in June 2019. Consequently, the Petitioner argued that there was no reason to monitor the GST portal six years later when the SCN was issued. The Revenue, however, contended that the Petitioner was obligated to inform the authorities of any change in address and noted that the demand was based on the fact that the Petitioner had generated two e-way bills for each invoice.

The High Court set aside the impugned order and remanded the matter for reconsideration. The Court held that while a person whose registration is cancelled technically retains access to the GST portal, it is unreasonable to expect such person to access the portal six years after discontinuing business. The Court reasoned that passing an assessment order without ensuring the assessee had a reasonable opportunity to respond to the SCN constitutes a significant procedural lapse. The principles of natural justice require that any person facing an adverse order must be given an adequate opportunity to present their case. The remand was made subject to the petitioner paying 10% of the disputed tax demand within two weeks.

[MSK Worldwide Express Private Limited v. AC., 2026-VIL-581-MAD]

Taxient Comments: This ruling aligns with an emerging and increasingly consistent line of judicial precedents holding that although uploading notices/orders on the common portal is a statutorily recognised mode of service under Section 169 of the CGST Act, such portal upload alone may not constitute effective service in all factual situations particularly where the taxpayer's registration already stands cancelled and the taxpayer has no practical occasion or obligation to continuously monitor the portal. Multiple decisions of the Madras High Court and Allahabad High Court have recognised that in such cases, authorities are expected to resort to other permissible modes of service to ensure an effective opportunity of hearing and compliance with principles of natural justice.

At the same time, the larger jurisprudential issue surrounding the extent to which constructive/deemed service under Section 169 applies to notices and orders transmitted through email or made available on the common portal, and whether limitation for appeal under Section 107 commences from the date of service, actual communication, or mere portal upload, has been examined in detail by the Division Bench of the Allahabad High Court in **M/s Bambino Agro Industries Ltd. v. State of Uttar Pradesh, 2025-VIL-1353-ALH.** In that decision, the Court analysed the distinction between 'service' under Section 169 and 'communication' under Section 107 and considered the interplay between the GST framework and electronic communication principles under the Information Technology Act. However, the issue has not attained finality, as the Revenue has challenged the said ruling before the Supreme Court and interim stay has reportedly been granted during the pendency of the proceedings. Accordingly, while the present ruling reinforces taxpayer protection in cases of cancelled registrations and ex parte adjudication, the broader legal position on electronic service and commencement of limitation remains subject to the outcome before the Supreme Court.

1.3. Appeal not time barred where taxpayer bona fide pursued rectification remedies

The Petitioner challenged an order from the Appellate Authority that rejected its GST appeal as being barred by limitation. The original assessment order was passed on August 29, 2024.

Instead of an immediate appeal, the Petitioner filed a rectification application on November 22, 2024 within the prescribed statutory period which remained pending for a year before being rejected on November 24, 2025. The Petitioner then filed an appeal on February 19, 2026, which was within 3 months of the rectification rejection but more than 1.5 years after the original order. The Revenue argued that the limitation should be strictly counted from the original order date, rendering the appeal time barred.

The High Court set aside the dismissal and remitted the matter for a decision on merits. The Court held that when an assessee is genuinely pursuing statutory remedies by first filing a timely rectification application, an appeal filed within 3 months of that application's rejection should not be dismissed on a hyper technical limitation ground. The Appellate Authority should adopt a pragmatic approach and allow the assessee to amend the memorandum of appeal to cure technical defects, rather than summarily dismissing it.

[One E Store Private Limited v. AC., 2026-VIL-595-TEL]

Taxient Comments: This ruling provides critical relief for taxpayers who opt for the rectification route under Section 161 of the CGST Act before moving to a formal appeal. It addresses a common procedural trap where the time taken by the Department to decide on a rectification application effectively **'exhausts'** the limitation period for filing a main appeal under Section 107. It also recognizes that where a taxpayer has bona fide invoked a statutory rectification mechanism within time, such conduct should not ordinarily operate to defeat the substantive right of appeal.

That said, while the outcome in this ruling is undoubtedly beneficial for taxpayers and reflects a justice oriented approach, the reasoning adopted on limitation may still be open to debate. In our view, a more legally sustainable approach could have been to apply the principle underlying Section 14 of the Limitation Act and exclude only the period spent in bona fide pursuit of rectification proceedings, rather than effectively treating the limitation period as restarting from the date of rejection of the rectification application.

Interestingly, the Allahabad High Court in **M/s Prakash Medical Stores v. Union of India, 2025-VIL-1326-ALH**, adopted a more structured approach and held that the remedies of rectification and appeal run simultaneously. However, where rectification is pursued bona fide within time, the limitation for appeal merely remains in abeyance during the pendency of rectification proceedings and resumes thereafter. In other words, the taxpayer gets exclusion of the rectification period and not an altogether fresh limitation period.

Accordingly, while the result reached by the Telangana High Court may be equitable, the methodology adopted for computation of limitation appears capable of further judicial examination.

1.4. GST portal only communication may be procedurally defective

The Appellant challenged an order passed by a Single Judge that had dismissed its Writ Petition against an assessment order dated July 17, 2025. The assessment order related to the wrongful availment of ITC on blocked credit, resulting in the levy of interest and penalty. The Revenue's case was that the order had been duly uploaded on the common portal, which constitutes valid service under the law, and that the Petitioner had failed to respond to the SCN or file an appeal within the statutory period. The Appellant, however, argued that as a small businessman, it was unreasonable to expect constant monitoring of the portal, which requires navigating through multiple windows to find specific orders. The Appellant claimed it only became aware of the order when recovery proceedings were initiated.

The High Court disposed of the writ and granted the Appellant one further opportunity to prefer a statutory appeal. While the Court acknowledged that Section 169 of the CGST Act treats uploading on the portal as a valid mode of service, it held that it cannot be reasonably expected of a **‘common man or small business person’** to repeatedly access the portal through multiple windows to ascertain the existence of orders. The Court ruled that authorities have a duty to communicate orders through other practicable modes (such as registered post or email) to ensure that the period for filing an appeal is properly reckoned. Consequently, the Court permitted the Appellant to file an appeal before the Appellate Commissioner within 15 days, emphasizing that the delay was caused by a procedural deficiency in communication rather than the appellant's negligence.

[Tvl. Kodeeswaran Jewellers v. CCT, 2026-VIL-583-MAD]

Taxient Comments: This ruling is a significant victory for small and medium-sized enterprises (SMEs) struggling with the 'digital-only' communication approach often adopted by the GST Department. While Section 169(1)(d) of the CGST Act explicitly recognizes making a communication available on the common portal as a valid mode of service, this judgment introduces an important standard of reasonableness and practicability that the Department is expected to follow. The Court has indicated that the Department should not rely exclusively on portal-based service. Where other permissible modes such as registered post, speed post, or email are reasonably practicable, failure to adopt them may constitute a procedural lapse warranting condonation of delay in filing an appeal.

Notably, the approach adopted by the Court is consistent with its earlier decisions, which has repeatedly held that where authorities notice an absence of response to communications uploaded on the GST portal, they should explore other permissible modes of service particularly physical modes such as registered post instead of proceeding mechanically with ex parte adjudication or recovery proceedings.

While this ruling provides taxpayers with a strong defense in writ jurisdiction, it remains highly advisable to maintain a robust system for regularly monitoring the 'Notices and Orders' tab on the GST portal. The judgment should therefore be viewed as a remedial safeguard rather than a justification for relaxing compliance practices, especially since the Court continues to recognize portal upload as constituting 'deemed service' under the statutory framework.

At the same time, as noted earlier, the broader legal issues concerning the validity and scope of portal based service are presently pending consideration before the Supreme Court in **Bambino Agro (supra)**.

2. ADVANCE RULINGS

2.1. ITC allowed on QIP services used for debt repayment but denied for subsidiary investment

The Applicant filed appeal against the order of Authority for Advance Ruling (‘AAR’) that denied ITC on various professional services including lead management, legal, and consultancy procured for a Qualified Institutional Placement (‘QIP’) to raise capital. The Applicant contended that raising capital is fundamental to business operations and that the services had a direct nexus with its commercial activities.

The AAAR partly allowed the appeal bifurcating the ITC eligibility based on fund deployment. The AAAR held that raising funds to repay the company's own borrowings improves financial health and constitutes efficient financial management and falls within the expansive definition of ‘business’ under Section 2(17). Therefore, ITC proportionate to this portion is admissible under Section 16(1). However, regarding funds invested in the wholly owned subsidiary, the AAAR denied the ITC. It ruled that a holding company and a subsidiary are distinct legal entities. The economic benefit of services procured for capitalizing the subsidiary accrues to the subsidiary, lacking a direct and proximate nexus with the holding company's taxable business.

[RHI Magnesita India Limited, 2026-VIL-27-AAAR]

Taxient Comments: This ruling provides an important and nuanced discussion on the treatment of fundraising related expenses under GST and rightly recognises that raising capital for repayment of borrowings forms part of efficient financial management and falls within the broad scope of ‘business’ under Section 2(17). To that extent, the AAAR’s approach in allowing proportionate ITC appears commercially aligned and legally sound.

However, the denial of ITC attributable to the portion of QIP proceeds invested in the wholly owned subsidiary appears more debatable. Merely because funds are deployed by way of equity infusion into a subsidiary should not automatically break the nexus with the holding company’s business. Investment into a wholly owned subsidiary is often undertaken as a strategic business decision to expand operations, strengthen group structure, unlock value, improve market positioning, or support downstream business objectives. In that sense, such deployment may equally qualify as application of input services for or in the course or furtherance of business under Section 16(1).

The distinction drawn by the AAAR between debt repayment and subsidiary investment therefore appears to rest on a narrow reading of business nexus. Interestingly, tax authorities have often adopted an expansive interpretation of ‘business’ while determining the scope of supply and taxability. However, when the same expression falls for consideration in the context of ITC eligibility, the interpretation frequently becomes restrictive. Such inconsistent application of the same statutory concept may create avoidable asymmetry in GST jurisprudence.

2.2. No ITC on solar plants supplying electricity through the grid

The Applicant, a steel manufacturer, set up a solar power plant at a distinct location within Rajasthan (registered as an additional place of business) to generate electricity for 'captive use.' The generated electricity was transferred to the DISCOM grid and the energy credits were adjusted against the electricity consumed at the Applicant's manufacturing facility. The Applicant filed appeal against the order of Authority for Advance Ruling ('AAR') that denied admissibility of ITC for inputs, capital goods, and services used to set up the solar plant.

The AAAR upheld the denial of ITC and rejected the appeal. The AAAR held that transferring of electricity into the DISCOM grid constitutes a 'supply' by way of exchange, as the appellant receives consideration in the form of energy credits. The AAAR further clarified that supply of electricity is charged at a 'Nil' rate which makes it exempt supply. Consequently, since the inward supplies were used for an exempt outward supply (electricity), ITC was blocked under Section 17(2).

[SBF Ispat Private Limited, 2026-VIL-26-AAAR]

Taxient Comments: Renewable energy projects in the manufacturing sector are generally structured in two ways.

Under the first model, the electricity generated from the solar plant is consumed directly by the manufacturer (captive consumption) without being injected into the electricity grid. Since there is ordinarily no outward supply of electricity in such cases, taxpayers generally take the view that the entire solar infrastructure is used for their taxable manufacturing business and, therefore, the ITC should remain fully available.

Under the second model, the electricity generated is first injected into the grid, and the manufacturer subsequently draws electricity against adjustment of energy credits under arrangements such as net metering or wheeling. Although the commercial objective remains the same i.e. meeting the manufacturer's own power requirements and reducing electricity costs. This model is widely adopted because it provides operational flexibility, avoids loss of surplus power due to mismatch between generation and consumption, improves utilisation of renewable assets, and is often required under the applicable electricity regulatory framework.

This ruling is significant because the AAAR has examined the legal structure of the transaction rather than its commercial purpose. According to the AAAR, once electricity is injected into the DISCOM grid, the transaction gives rise to two distinct supplies. The first is the supply of electricity by the generator to the DISCOM, and the second is the supply of electricity by the DISCOM to the consumer. Since the first supply is an exempt supply of electricity, the AAAR held that the ITC attributable to such supply would be restricted under Section 17 of the CGST Act.

While the ruling provides important guidance on the GST treatment of grid based renewable energy arrangements, the issue is unlikely to rest here. One may still argue that the primary purpose of such arrangements is not to carry on the business of supplying electricity but to optimize the manufacturer's own energy consumption. Nevertheless, the ruling demonstrates that even where the commercial outcome remains the same, a different contractual and regulatory structure can lead to a different GST consequence. Businesses planning renewable energy projects should therefore evaluate the GST implications alongside the commercial and regulatory aspects before finalizing the project structure.

3. OTHER UPDATES

3.1. GSTAT advisory regarding online payment of court fees

The GSTAT issued an advisory for taxpayers facing issues where the online payment of court fees on the portal does not immediately reflect as ‘Success.’ Taxpayers are advised to wait up to 72 hours for payment processing delays to reconcile. The advisory also clarifies that the system will not restrict or prevent the filing of the appeal even if the status does not update to ‘Success’ after 72 hours, as the payment status will be appropriately reconciled at the backend.

[GSTAT advisory regarding online payment of court fees on GSTAT portal]

3.2. Mandatory intimation of SCNs and demand orders by post in Haryana

Addressing continuous feedback from the trade and industry regarding missed portal notices, the Excise & Taxation Department of Haryana has issued Instructions that Proper Officers must additionally send SCN (FORM GST DRC-01) and Demand Orders (FORM GST DRC-07) via registered post or speed post with acknowledgment due to the taxpayer's last known address. While legal service is still deemed complete upon portal upload, this physical dispatch acts as a mandatory secondary intimation, monitored fortnightly by the Department.

[Instruction No. 02/2026/GST-II, Haryana dated **June 1, 2026]**

3.3. GSTAT user advisory on higher court exemption or correction of pre-deposit amount

The GSTAT has issued a step-by-step user advisory detailing how taxpayers can proceed when the automatically fetched pre-deposit amount from the GSTN portal is incorrect or has been waived. Taxpayers can select the ‘Amount Exempted/ Self Calculation Correction’ option, enter the applicable percentage, and upload supporting documents such as ‘Higher Court Orders’ or a ‘Self Calculation Sheet’. Additionally, the advisory highlights the use of Form GST DRC-03A, which allows taxpayers to officially link voluntary payments made via DRC-03 to outstanding demand orders (like DRC-07 or APL-04), automatically updating their electronic liability registers.

[GSTAT user advisory: Higher court exemption or correction of pre-deposit amount]

Disclaimer:

This Insight has been prepared exclusively for the use of clients and personnel of Lex Taxient Advisors LLP and is intended solely for general informational purposes. Lex Taxient Advisors LLP disclaims any and all liability for any loss or damage that may arise from reliance on the information contained herein. Recipients are strongly encouraged to obtain appropriate professional advice tailored to their individual facts and circumstances prior to making any decisions or taking any action.

Thank You!

We sincerely appreciate you taking the time to read our latest update. We hope you found the information both valuable and insightful.

To read our past updates, refer our website.

LEX TAXIENT
Advisors LLP

Let's Stay Connected

Office Address: 5th Floor, Wing-A, Statesman House, Barakhamba Road, New Delhi, Delhi 110001

Phone: +91-87507-83879 / 91151-05773

Email: info@taxient.in

Website: www.taxient.in

Follow us for updates on LinkedIn