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Think GST... Think Vishal Sir !!

CA Vishal Bhattad

AMENDMENTS

Applicable For
May 26/June26 Exam

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GST

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New GST Rates

Old GST Rates:-

CGST Rate	0%	2.5%	6%	9%	14%
SGST Rate	0%	2.5%	6%	9%	14%
Total	0%	5%	12%	18%	28%

New GST Rates:-

CGST Rate	0%	2.5%	9%	20%
SGST Rate	0%	2.5%	9%	20%
Total	0%	5%	18%	40%

CONCEPT OF SUPPLY

SCHEDULE III

Para 8: Supply of Goods Before Clearance for Home Consumption

a) **In-bond sales :** Supply of warehoused goods to any person before clearance for home consumption.

aa) Supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area. **Newly Inserted by F.A. 25**

b) **High Sea Sale :** Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.

Explanation:

1. "warehoused goods" shall have the same meaning as assigned to it in the Customs Act, 1962.
2. **"Special Economic Zone", "Free Trade Warehousing Zone" and "Domestic Tariff Area" shall have the same meanings respectively as assigned to them in sec 2 of the SEZ Act, 2005.**

Note: No refund shall be made of all such tax which has been collected, but which would not have been so collected, above amendments had been in force at all material times. **Newly Inserted by F.A. 25**

Q:- M/s Alpha Traders imports electronic components from Japan. The goods are stored in a customs bonded warehouse without being cleared for home consumption. While the goods are warehoused, Alpha sells them to Beta Pvt. Ltd., who further sells them to Gamma Ltd. before clearance.
Separately, ExportHub Ltd. stores chemicals in a Free Trade Warehousing Zone (FTWZ) located in an SEZ and sells the goods to Delta Industries in the Domestic Tariff Area (DTA) before clearance.
Further, in another transaction, goods are sold by endorsement of documents of title after dispatch from a place outside India but before clearance for home consumption.
Discuss the GST implications of the above transactions with reference to Schedule III of the CGST Act.

Answer:- As per **Section 7** of the CGST Act read with Schedule III, certain activities are treated as **neither** supply of goods nor supply of services.

1. **Para 8(a)** of Schedule III provides that supply of warehoused goods before clearance for home consumption is not a supply. Accordingly, the sale of goods by Alpha Traders to Beta Pvt. Ltd. and the subsequent sale by Beta Pvt. Ltd. to Gamma Ltd., while the goods remain in a bonded warehouse, are **outside the scope of GST.**
2. **Para 8(aa)** provides that supply of goods warehoused in an SEZ or FTWZ before clearance for export or to DTA is also neither supply of goods nor supply of services. Hence, the sale by ExportHub Ltd. from FTWZ to Delta Industries before clearance is not liable to GST.
3. **Para 8(b)** covers high sea sales, i.e., supply of goods by endorsement of documents of title after dispatch from outside India but before clearance for home consumption, and such transactions are also **not treated as supply** under GST.

Therefore, no GST is payable on any of the above transactions. IGST becomes payable only at the time of clearance for home consumption or DTA, treating the transaction as import of goods under the Customs Act.

REVERSE CHARGE & ECO

GTA – Forward Charge

➲ ~~Old Rate – 12%~~ ➲ New Rate – 18%

Tax payable by ECO on notified services u/s 9(5) of CGST Act/ 5(5) of IGST Act

Sec 9(5)(v) Local Delivery Service

Newly Inserted by N/n 17/2025

➢ Services by way of local delivery through ECO – ECO is liable to pay tax.

Exception (i.e. ECO is not liable):- If Delivery person/supplier is liable to register u/s 22(1), then Delivery person/supplier is liable to pay GST.

Analysis:- If local delivery services (like parcel delivery, courier-type local delivery) are provided through an e-commerce platform, the **ECO must pay GST** instead of the delivery person/supplier.

Exception: If the delivery person/supplier is already required to register for GST because their turnover is above the limit given in Sec 22(1), then the delivery person/supplier, not the ECO, must pay the GST.

Q:- Mr. Rahul is an individual delivery partner engaged in providing local delivery services such as delivery of food and groceries within the city of Indore. He supplies these services through an ECO named SpeedCart. His aggregate Turnover is ₹18 lakh. Who is liable to pay GST? Whether Mr. Rahul is required to obtain GST registration?

Answer:-

➲ In this case, **Speed Cart i.e. ECO is liable to pay GST** as supply of local delivery services through ECO is notified u/s 9(5).

➲ Also, Mr. Rahul is **not required to obtain GST registration,** even though he supplies services through an ECO, because:

- ➢ he provides **local delivery services notified u/s 9(5),** and
- ➢ his **aggregate turnover does not exceed the threshold limit prescribed u/s 22(1).**

EXEMPTIONS FROM GST

Sl.NO. 18 Goods Transport Services

Exemption

Services by way of transportation of goods–

(a) by road except the services of (i) a goods transportation agency; (ii) a courier agency;

(b) by inland waterways.

Explanation: Nothing contained in this entry shall apply to:

(i) local delivery services provided by an ECO or

(ii) local delivery services provided through an ECO.

Newly Inserted by N/n 16/2025

Comment: Local Delivery Services provided by/through ECO are **Taxable** under GST.

Q:- Dunzo, an ECO, provides local delivery services of food and grocery items within city limits. During the year, it delivered 10,000 orders and collected delivery charges of ₹40 per order, aggregating to ₹4,00,000. The deliveries were made by road using two-wheelers, and no consignment note was issued. Dunzo, an ECO claimed exemption under GST on the delivery charges, treating the service as transportation of goods by road, contending that it was neither a goods transport agency nor a courier agency.

Examine the correctness of the claim made by Dunzo and determine the GST liability, if any, with reasons.

Answer:-

➲ In the given case, the delivery service is local in nature and is provided through an ECO. Hence, the exemption is **not applicable** & claim made by Dunzo is **incorrect.**

➲ Accordingly, the delivery charges of ₹4,00,000 are taxable and GST at 18% amounting to ₹72,000 is payable. Therefore, Dunzo is liable to pay GST on the delivery charges collected.

Definitions

1) Definition of GTA (Goods Transport Agency): 'Goods transport agency' means any person who provides service in relation to transport of goods by road and issues a consignment note by whatever name called, but **does not include:**

(i) an ECO by whom the services of local delivery are provided,

(ii) an ECO through whom the services of local delivery are provided.

Substituted by N/n 16/2025

Note:-Individual truck or tempo operators who do not issue consignment notes are exempt from GST.

Sl.No 36C Individual Life Insurance Services:

Exemption: Services of life insurance business provided by an insurer to the insured, where the insured is not a group.

Explanation: Clarification-

a) This exemption applies to contract of insurance if the insured is an individual, or an individual & his/her family.

b) Family shall include all individuals insured as family in the contract of insurance.

Newly Inserted by N/n 16/2025

Sl.No 36D Individual Health Services:

Exemption: Services of health insurance business provided by an insurer to the insured, where the insured is not a group.

Newly Inserted by N/n 16/2025

Explanation: Clarification-

a) This exemption applies to contract of insurance if the insured is an individual, or an individual & his/her family.

b) Family shall include all individuals insured as family in the contract of insurance.

(zga) 'health insurance business' means the effecting of contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, whether in-patient or out-patient, travel cover and personal accident cover.

(zfb) For Sl.No. 36C & 36D, 'Group' means group of persons who join together with a commonality of purpose or for engaging in a common economic activity, other than availing insurance, and includes:

a) **Employer:** employee groups, where an employer-employee relationship exists between the master/group policyholder and the members of the group in accordance with the applicable laws.

b) **Non employer:** employee groups, where a clearly evident relationship exists between the master/group policyholder and the members of the group, for services/ activities other than insurance.

Sl.No 36E Reinsurance of the insurance services specified in serial numbers 36C or 36D.

Q:- Mr. Arun, an individual, purchases a health insurance policy from XYZ Insurance Ltd. for himself and his family (spouse and two children). The total premium for the year is ₹1,50,000. Separately, Mr. Arun's company also provides a group health insurance policy covering 50 employees for which the employer pays a premium of ₹5,00,000. Determine the GST liability on the premiums paid by Mr. Arun (individual plus family policy) and the employer (group policy).

Answer:-

1. Individual & Family Policy:

- ➲ The GST exemption applies to health insurance contracts where the insured is an individual or individual & family.
- ➲ GST liability: ₹1,50,000 × 0% = ₹0

2. Group Policy:

- ➲ The exemption does not apply to group insurance policies.
- ➲ The employer-paid premium of ₹5,00,000 is taxable at 18% GST.
- ➲ GST liability: ₹5,00,000 × 18% = ₹90,000

Services by Government & Local Authority

Local Authority

Sec 2(69) Means A : ➲ Panchayat ➲ Municipality ➲ Municipal Committee, & District Board, authorized by CG or SG to manage a municipal fund or local fund. ➲ Cantonment Board, ➲ Regional/District Council and ➲ Development Board

Explanation:- For the purposes of this sub-clause — Newly Inserted by F.A. 2025

a)	**"Local fund"** means any fund controlled or managed by a local self-government authority for discharging civic functions in a Panchayat area, and vested with legal power to levy, collect, and appropriate taxes, duties, tolls, cesses or fees.
b)	**"Municipal fund"** means any fund managed by a local self-government authority for civic functions in a Metropolitan or Municipal area, vested with legal powers to levy, collect, and appropriate any tax, duty, toll, cess, or fee.

Time of Supply

~~12(4) TOS for Vouchers~~ ~~(for meaning of voucher refer Definition)`` Omitted by F.A. 2025

~~The TOS of vouchers exchangeable for goods is-~~

~~**Identifiable Voucher:-** Date of issue of the voucher, if the supply that it covers is identifiable at that point, or~~

~~**Non-Identifiable Voucher:-** Date of redemption of the voucher in other cases.~~

~~13(4) TOS for Vouchers~~ ~~(for meaning of voucher refer Definition)`` Omitted by F.A. 2025

~~The TOS of vouchers exchangeable for services is-~~

~~**Identifiable Voucher:-** Date of issue of the voucher, if the supply that it covers is identifiable at that point, or~~

~~**Non-Identifiable Voucher:-** Date of redemption of the voucher in other cases.~~

~~**Example:-** A Ltd., offering hospitality services, partners with B Ltd. to market its hotel rooms through discount coupons/vouchers. Since the supply linked to the voucher is identifiable, the TOS for the voucher is its date of issue.~~

Q:- ABC Ltd. issues gift vouchers redeemable against its goods or services. During a financial year, ABC Ltd. issues 5,000 gift vouchers of face value ₹ 1,000 each, aggregating to ₹ 50,00,000. Out of these, some vouchers are RBI-approved Pre-Paid Instruments (PPIs) and the balance are non-PPI vouchers. The vouchers are sold through distributors, who earn commission at the rate of 5% on the value of vouchers sold. Out of the total vouchers issued, vouchers worth ₹ 40,00,000 are redeemed against supply of goods or services, while vouchers worth ₹ 10,00,000 remain unredeemed even after expiry. Discuss the GST treatment.

Answer:-

- As per **CBIC clarification,** RBI-approved PPIs are treated as **money and are neither goods nor services,** while non-PPI vouchers are treated as **actionable claims** other than specified claims. Such actionable claims are covered under Schedule III and are kept outside the ambit of supply. Accordingly, the issuance or sale of vouchers by ABC Ltd., whether PPI or non-PPI, does not constitute a taxable supply and **no GST is payable** at the time of issuance or sale of vouchers.
- The distributors earn commission of 5% amounting to ₹ 2,50,000, which constitutes a **supply of service under GST and is liable to GST** at the applicable rate. GST is payable on the underlying goods or services supplied at the time of redemption of vouchers worth ₹ 40,00,000.
- **No GST is payable** on vouchers worth ₹ 10,00,000 that remain unredeemed after expiry, as no supply of goods or services takes place.
- Further, Sections 12(4) and 13(4) of the CGST Act relating to time of supply of vouchers have been **omitted,** thereby confirming that GST liability arises only at the time of actual supply of goods or services and not at the time of issuance of vouchers.

VALUE OF SUPPLY

Rule 31A:- Valuation of supply of lottery and actionable claim in the form of betting, gambling or horse racing in a race club.

1. Supply of Lottery

Substituted by N/N 13/2025

Value = Higher of:

- 100/~~128~~ 140 of the face value of the ticket, OR
- 100/~~128~~ 140 of the price notified in the Official Gazette by the organizing State

Examples:

- If **face value = ₹250** and **notified price = ₹240,** value = **₹178.57** (higher of ₹178.57 or ₹171.43).
- If **face value = ₹250** and **notified price = ₹260**, value = **₹185.71** (higher of ₹178.57 or ₹185.71).

2. Betting, gambling or horse racing in a race club :

100% of the face value of the bet or the amount paid into the totalisator

Clarification on various issues on treatment of secondary or Post-sale discounts under GST [Cir. No. 251/08/2025]

1	**Whether the full ITC is available to the recipient of supply when the recipients make discounted payments to the supplier of goods on account of financial/ commercial credit notes issued by the said supplier?**	➢ As **clarified in Circular No. 92/11/2019** that the supplier may issue financial/ commercial credit notes. However, he **will not be eligible to reduce** his original tax liability. ➢ Since the transaction value cannot be reduced through these credit notes, the tax charged to the recipient would also not get reduced. ➢ Thus, it is **clarified** that the recipient is not required to reverse any ITC attributed to the discount given through financial/ commercial Credit notes issued by the supplier, as there is **no reduction** in the original transaction value and the corresponding tax liability would also not get reduced.
	Example: ABC Ltd. supplies goods to XYZ Ltd. for ₹1,00,000 + GST 18% = ₹1,18,000. Later, ABC Ltd. issues a commercial credit note of ₹10,000 to XYZ Ltd. due to a discount offered for early payment. **Conclusion:** ➲ The credit note is **financial/commercial in nature** and does **not reduce the original transaction value** for GST purposes. ➲ Thus, ABC Ltd. **cannot reduce its original tax liability** of ₹18,000, and similarly, XYZ Ltd. **cannot reduce the ITC** already claimed.	

2.	**Whether a post-sale discount offered by a manufacturer to its dealer/distributor, would be treated as a consideration paid by the manufacturer for the dealer's supply of the same goods to the end customer as a monetary value of the inducement to supply of goods manufactured by him to the end customer?**	**1. Independent Sale Transactions:** ➢ When there is no agreement between the manufacturer and the end customer, two separate sales occur, one from the manufacturer to the dealer and another from the dealer to the end customer. ➢ Here, in contract of Sale, the sale get completed on transfer of title of goods to the buyer. ➢ In this case, the dealer becomes the owner of the goods, and the manufacturer retains no vestige of the title or claims therein. ➢ The manufacturer–dealer transaction is on a **principal-to-principal** basis. Discounts given in such cases merely reduce the sale price for competitive reasons. ➢ Therefore, it is **clarified** that such a discount cannot be included in consideration as the monetary value of the inducement of further supply of these goods. **2. Post-Sale Discounts Linked to Manufacturer–Customer Agreements:** ➢ Where the manufacturer has **an agreement** with the end customer to supply goods at a discounted price, the manufacturer may issue commercial or financial notes to the dealer so the dealer can offer the agreed discount to the end customer. ➢ Such post-sale discounts act as an inducement for the dealer's supply to the end customer and **must be included** in the overall consideration between manufacturer & dealer.

3.	**Whether a post-sale discount extended by the manufacturer to the dealer can be treated as a consideration in lieu of the activities performed to promote the sale of the goods?**	**1. Post-Sale Discounts Not Treated as Consideration:** ➢ When dealers receive such post-sale discounts, they may engage in promotional activities to boost sales. However, these activities ultimately enhance the sale of goods that the dealers themselves own, thereby increasing their own revenue. ➢ The discount merely reduces the sale price of the goods and is not linked to any independent service rendered to the manufacturer. ➢ Accordingly, such discounts **shall not be treated as consideration for any taxable service.** **2. GST Applicable on Separately Agreed Promotional Services:** ➢ **GST shall be levied** where the dealer undertakes **specific sales promotional activities** such as advertising, co-branding, customization, special sales drives, exhibitions, or customer support, only when these services are expressly agreed upon, with a clearly defined consideration. ➢ In such cases, the dealer provides a distinct supply of service to the manufacturer, and **GST is chargeable** on that consideration.

Facts	Conclusion	Who is liable to Pay GST
➲ Tyres sold by manufacturer to dealers on principal-to-principal basis ➲ Post-sale incentives / discounts based on dealer performance ➲ Dealers undertook sales promotion of goods owned by them	Discount is a trade discount, promotion of own goods does not constitute a service	No GST payable
➲ Manufacturer fixed discounted selling price for end customers ➲ Dealers required to sell at such fixed price ➲ Discount amount reimbursed by manufacturer	Reimbursement is monetary value of inducement for supply to customers	Dealer is liable to pay GST
➲ Dealer carried out advertising and sales promotion campaigns ➲ Activities performed as per manufacturer's instructions ➲ Separate reimbursement paid for such activities	Independent taxable supply of service by dealer	Dealer is liable to pay GST
➲ Dealer performed co-branding, exhibitions and promotional events ➲ Activities contractually agreed between manufacturer and dealer ➲ Consideration separately identifiable	Promotional activities constitute supply of service	Dealer is liable to pay GST

Input Tax Credit

Sec 17 (5)(d): Self- Construction of immovable property

Blocked Credit	**Goods &/or services received by a taxable person for construction of an immovable property (other than plant ~~or~~ and machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.**

Construction (Explanation 2): Any reference to **"Plant or Machinery" should be read as "Plant and Machinery"** for all purposes retrospectively from 01/07/2017. **Newly Inserted by F.A. 2025**

Note: How Explanation 2 overrules the Safari Retreats Pvt Ltd judgment –

1. In Safari Retreats, ITC on mall construction was allowed by treating the building as 'plant or machinery" used for business.
2. **Explanation 2 replaces "or" with "and",** narrowing the meaning strictly to plant and machinery only.
3. As a result, **buildings/civil structures can never qualify,** even if they are essential for business operations.
4. Being retrospective from 01-07-2017, this clarification **nullifies** the legal basis of the Safari Retreats ruling.

Sec 20: Manner of distribution of credit by Input Service Distributor

Sec 2(61) "Input Service Distributor (ISD)":- ISD means an

- office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including
- invoices in respect of services liable to tax u/s 9(3)/9(4) of CGST Act or **Sec 5(3)/(4) of IGST Act** for or on behalf of distinct persons referred to in section 25, **Inserted by F.A. 2025**
- and liable to distribute the ITC in respect of such invoices in the manner provided in section 20.

Rule 39: Procedure for distribution of input tax credit by ISD:

1A

- If a RP(with the same PAN and State code as the ISD) has used common input services that are subject to tax u/s 9(3)/4) or **Sec 5(3)/(4) of IGST Act,** they can issue an invoice, credit note, or debit note (as per Rule 54(1A)) to transfer the ITC to the ISD. **Inserted by N/n 13/2025**
- The ISD will then distribute the credit as per the sub-rule (1).

Comment: FA 2025 clarifies expressly that ISD can receive and distribute ITC of IGST paid under RCM.

Sec 34(2): Details of Credit Note to be declared in return

Restriction:

Old Provision:	A supplier could not reduce output tax liability by way of **issuing credit note**, if the tax incidence or interest had been passed to another person, or the recipient had not reversed ITC.
New Provision:	➲ **Registered recipient:** If the recipient has **availed ITC** corresponding to the credit note but has not reversed it, the supplier **cannot reduce output tax liability.** ➲ **Other cases:** If the **tax incidence has been passed to another person,** the supplier **cannot reduce output tax liability.** **Substituted by F.A.2025**
Reason for this Amendment	➲ This amendment removes ambiguity and clearly separates the conditions for Registered vs. unregistered recipients. ➲ Ensures output tax reduction by the supplier is allowed only when the ITC and tax incidence are correctly adjusted by the recipient or not shifted.

Q:- ABC Ltd., a registered supplier, sells goods to XYZ Ltd., a registered recipient, for ₹10,00,000 plus GST @18% (₹ 1,80,000). After the supply, ABC Ltd. issues a credit note of ₹ 1,00,000 plus GST ₹ 18,000 due to price adjustment. XYZ Ltd. has availed ITC on the original supply but has not reversed ITC corresponding to the credit note.

In another case, ABC Ltd. issues a credit note of ₹ 50,000 plus GST ₹ 9,000 to an unregistered customer, who has already paid the full price including GST. Discuss the GST implications under the provision on credit notes and the effect on ABC Ltd.'s output tax liability.

Answer:-

➲ **For the Registered recipient (XYZ Ltd.):** If the recipient has availed ITC corresponding to the credit note but has not reversed it, the supplier cannot reduce output tax liability. In this case, XYZ Ltd. has not reversed ITC of ₹18,000, so **ABC Ltd. cannot reduce its output GST** for the credit note issued to XYZ Ltd.

➲ **For the Unregistered recipient:** In this case, if the tax incidence has already been passed on to another person, the supplier cannot reduce output tax liability. Since the unregistered customer has already paid ₹ 50,000 plus GST ₹9,000, **ABC Ltd. cannot adjust GST** on this credit note either.

RETURNS

Sec 38:- Communication of details of inward supplies and ITC

Registered persons file outward supplies u/s 37(1) &~~an auto-generated statement~~ **a statement** containing details available to recipients, showing:

Substituted by F.A.2025

- Supplier on which ITC is available to the recipient,
- Supplies on which ITC cannot be claimed (fully or partly), and
- Other prescribed details.

Sec 44 read with Rule 80:- ANNUAL RETURN

Exemption from filing

Commissioner exempts the registered person whose aggregate turnover in any Financial year from F.Y. 2024-25 onwards is up to ₹ 2 Cr from filing annual return for that said F.Y.

Newly Inserted by N/n 15/2025

REFUND

Grant of provisional refund [Sec 54(6) read with rule 91]

Eligibility	Where a RP (other than a notified category) makes a refund claim of unutilized input tax credit (ITC) on account of zero-rated supplies of goods or services, the PO may grant a provisional refund.
Quantum of Provisional Refund	The PO may sanction 90% of the total refund amount claimed on a provisional basis, subject to fulfilment of prescribed conditions.
Conditions, Limitations and Safeguards	Provisional refund shall be granted only if: ➢ The applicant has not been prosecuted for any offence under the CGST Act, IGST Act, or any existing law, ➢ Where the amount of tax evaded exceeds ₹2.5 crore, ➢ During the five years immediately preceding the relevant tax period of the refund claim.
Time Limit and Procedure **Substituted by N/n 13/2025**	➲ Based on system-based risk identification and evaluation, the PO shall issue a provisional refund order in Form GST RFD-04. ➲ Such order shall be issued within 7 days from the date of acknowledgment of the refund application. ➲ If the PO records reasons in writing, provisional refund may be denied, and the claim shall be processed under Rule 92 for final adjudication. ➲ Once issued, the provisional refund order **does not require revalidation.**
Final Refund	After verification of documents and records furnished by the applicant, the PO shall issue a final refund order for settlement of the balance amount.

Q:- M/s Delta Exports, a registered person, filed a refund application for unutilized ITC on account of zero-rated supply of goods. Aadhaar authentication of the applicant was completed successfully. However, based on system-based risk identification and evaluation, the applicant was categorized as high-risk. Accordingly, the Proper Officer recorded reasons in writing and decided not to grant provisional refund.

Based on above information, Answer the following:

1. Whether the action of the Proper Officer in denying provisional refund is valid?

2. What is the correct procedure for processing the refund claim thereafter?

Answer:- In the present case, although Aadhaar authentication was completed, the applicant was flagged as high-risk by the system. The Proper Officer duly recorded reasons in writing for denying provisional refund.

1. The action of the Proper Officer is **legally valid,** since Rule 91 does not make Aadhaar authentication the sole criterion for grant of provisional refund. The Proper Officer is **empowered to deny** provisional refund based on risk parameters, provided reasons are recorded in writing.
2. After denial of provisional refund, the refund application shall be processed under Rule 92, whereby the Proper Officer shall:
   - **Verify** the documents and records furnished, and
   - **Issue a final refund order,** without granting any provisional refund.

Inserted by Notification. no. 14/2025

The Central Government on the recommendations of the Council, notifies the following category of registered persons who **shall not be allowed refund** on provisional basis **u/s 54(6)** of CGST ACT:

a) Any person, who has not undergone Aadhaar authentication **under rule 10B** of the Central Goods and Services Tax Rules, 2017.

b) Any person, who is engaged in the supply of the goods like **Areca nuts, Pan masala, Tobacco and manufactured tobacco substitutes & Essential oils.**

Q:- M/s MDK Industries, a registered person, is engaged in the manufacture and export of Chai Masala. The firm filed an application for refund of unutilised Input Tax Credit (ITC) arising on account of zero-rated supply of goods. The refund application has been duly acknowledged.

All documents are found to be in order and Aadhaar authentication under Rule 10B of the CGST Rules, 2017 has been completed.

Based on above information, Answer the following:

1. **Is M/s MDK Industries eligible for grant of provisional refund under Rule 91(2) of the CGST Rules, 2017? Give reasons.**
2. **What would be your answer if M/s MDK Industries was engaged in the manufacture and export of Pan Masala instead of Chai Masala?**

Answer:-

1.	➲ **Yes,** M/s MDK Industries is **eligible for grant of provisional refund** under Rule 91(2) of the CGST Rules, 2017. ➲ Provisional refund is denied only to categories of registered persons notified by the Central Government under **Section 54(6).** ➲ As Chai Masala is not included in the list of goods notified, and Aadhaar authentication has been completed, the firm satisfies all conditions for grant of provisional refund.

2.	➲ **No,** M/s MDK Industries would **not be eligible for provisional refund** if it were engaged in the manufacture and export of Pan Masala. ➲ As per **Notification No. 14/2025,** registered persons engaged in the supply of **Pan Masala** are specifically barred from receiving provisional refund under **Section 54(6)** of the CGST Act, even if Aadhaar authentication under Rule 10B has been completed.

DEMAND & RECOVERY

Monetary limit prescribed for issuance of SCN & passing of orders u/s 74A & 122 [Cir. No. 254/11/2025]

The Board has authorized the officers mentioned in the table as **proper officers** to issue Show Cause Notices and pass orders under **Section 74A & Sec 122 of the CGST Act, 2017 and Section 20 of the IGST Act,** subject to prescribed **monetary limits of tax (including cess)**.

CGST Officer	Monetary Limit of CGST	Monetary Limit of IGST	Monetary Limit of CGST & IGST
Superintendent of Central Tax	Not exceeding ₹10 lakh	Not exceeding ₹20 lakh	Not exceeding ₹20 lakh
Deputy or Assistant Commissioner of Central Tax	Above ₹10 lakh and not Exceeding ₹1 crore	Above ₹20 lakh and not Exceeding ₹2 crore	Above ₹20 lakh and not Exceeding ₹2 crore
Additional or Joint Commissioner of Central Tax	Above ₹ 1 crore without any limit	Above ₹ 2 crore without any limit	Above ₹ 2 crore without any limit

Clarifications:

➲ It is **clarified that if a SCN issued u/s 74A** of CGST Act, 2017 involves demand of both CGST and IGST (including cess), the PO shall be determined on the basis of the **combined amount** of CGST and IGST (including cess), **irrespective** of the individual amounts of CGST or IGST (including cess) which may exceed the prescribed monetary limit.

➲ The proper officer shall be determined based on the **highest tax amount** specified in the SCN and statement across all tax periods.

➲ Only the **tax amount demanded** will be considered, **penalties shall be excluded.**

➲ It is also **clarified that if a SCN issued u/s 122** of the CGST Act, 2017 involves demand of penalty in relation to both CGST and IGST, the PO shall be determined on the basis of the **combined amount** of penalty in relation to both CGST and IGST, **irrespective** of the individual amounts of penalty which may exceed the prescribed monetary limit.

Q:- M/s Orion Industries, a registered person under GST, is issued a Show Cause Notice (SCN) under section 74A of the CGST Act, 2017 for the following tax periods:

Tax Period	CGST (₹)	IGST (₹)
April 2025	8 Lakhs	15 Lakhs
May 2025	12 Lakhs	18 Lakhs
June 2025	6 Lakhs	10 Lakhs

Further, a penalty of ₹ 50 lakh under section 122 of the CGST Act, 2017 is also proposed in the SCN.
Based on above information, Answer the following:
1. What is the relevant amount for deciding the proper officer for issuance of SCN?
2. Who is the proper officer competent to issue the SCN and pass the order?
3. Will monetary limits be applicable if notice is issued only u/s 122?

Answer:-

1.

- Only the tax amount demanded shall be considered for determining the proper officer u/s 74A.
- Penalty amount is to be **ignored** while deciding jurisdiction under section 74A.
- Where multiple tax periods are involved, **the highest tax amount** for any one tax period shall be considered.
- Where both CGST and IGST are involved, the **combined tax amount** shall be taken.
- Thus, highest combined tax for a single tax period is May 2025 i.e CGST ₹ 12 lakh + IGST ₹ 18 lakh = **₹ 30 lakh**

2.

- As the combined tax amount is ₹ 30 lakh , so the PO is determined as follows:

Officer	Combined CGST + IGST limit
Superintendent of Central Tax	Up to ₹ 20 lakh
Deputy or Assistant Commissioner of Central Tax	Above ₹ 20 lakh up to ₹ 2 crore
Additional or Joint Commissioner of Central Tax	Above ₹ 2 crore

- Since ₹ 30 lakh is above ₹ 20 lakh but below ₹ 2 crore,
- Thus, **Deputy or Assistant Commissioner of Central Tax** is the proper officer.

3.

- The Circular clarifies that **monetary limits are applicable even for SCNs issued u/s 122** of the CGST Act, 2017.
- Where a SCN u/s 122 involves **penalty relating to both CGST and IGST,** the proper officer shall be determined on the basis of the **combined amount of penalty,** irrespective of individual components

OFFENCES, PENALTIES AND PROCECUTION

Sec 122 B: Penalty for failure to comply with track and trace mechanism.

1) Notwithstanding anything contained in this Act, where a person specified u/s 148A(1)(b) contravenes the provisions of **section 148A,**
2) Such person shall, in addition to any penalty under **Demand & Recovery or the provisions of this Chapter**, be liable to a penalty.

Inserted by F.A. 2025

3) The penalty shall be **higher** of the following :
   a. **₹1,00,000,** or
   b. **10% of the tax payable** on such goods.

Sec 148A: Track and Trace for Specified Goods **Inserted by F.A. 2025**

Section 148A allows the Government to track notified goods from manufacture to sale using digital markings, to stop tax evasion and improve GST compliance.

APPEALS AND REVISION

MANDATORY PRE-DEPOSIT

As per Section 107(6):	As per Section 112(8):
➲ Appeal can be filed by appellant only when he pays the following as pre-deposit:- ➢ **full amount** of tax, interest, fine, fee & penalty arising from impugned order as is admitted by him **&** ➢ **10% of disputed tax** arising from said order, subject to **maximum of ~~₹ 25 Crore~~ ₹ 20 Crore (₹ 40 Crore in case of IGST).** ➲ In case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum **equal to 10%** of the said penalty has been paid by the appellant. **Inserted by F.A 25** ➲ Payment of pre-deposit ensures **staying of recovery proceedings** for the balance amount of demand in dispute.	➲ Appeal can be filed by appellant only when he pays the following as pre-deposit:- ➢ **full amount** of tax, interest, fine, fee & penalty arising from impugned order as is admitted by him **&** ➢ **~~20%~~ 10% of disputed tax** arising from said order, **in addition to amount deposited before AA as pre-deposit,** subject to maximum **of ~~₹ 50 Crore~~ ₹ 20Crore (₹ 40 Crore** in case of IGST). ➲ In case of any order demanding penalty without involving demand of any tax, no appeal shall be filed against such order unless a sum equal to 10% of the said penalty, in addition to the amount payable under the proviso to sec 107(6) has been paid by the appellant **Inserted by F.A 25**

Q- M/s Nova Traders, a registered person under GST, received an order from the Adjudicating Authority demanding the following:

a) Disputed CGST: ₹ 8 crore

b) Disputed IGST: ₹ 5 crore

c) Penalty (u/s 122): ₹ 2 crore

d) No part of tax, interest or penalty is admitted by the assessee.

Aggrieved by the order, Nova Traders filed an appeal before the Appellate Authority (AA) after making the required pre-deposit. The Appellate Authority passed an order partly confirming the demand.

Still aggrieved, Nova Traders now proposes to file an appeal before the Appellate Tribunal.

Separately, in another case, Nova Traders received an order imposing only penalty of ₹ 60 lakh, without any tax demand, and wishes to file an appeal against the said order.

Based on the above facts, answer the following:

1. **What is the amount of pre-deposit required to be paid for filing appeal before the Appellate Authority under section 107(6)?**
2. **What additional amount is required to be paid for filing appeal before the Appellate Tribunal under section 112(8)?**
3. **What is the pre-deposit requirement in case of an order demanding only penalty?**

Answer:-

1.	➲ **Pre-deposit for appeal before Appellate Authority:** As per section 107(6), an appeal shall be filed only after payment of: ➤ Full amount of tax, interest, fine, fee and penalty **admitted** by the appellant (Nil in this case), and ➤ **10% of the disputed tax,** subject to a maximum of **₹ 20 crore for CGST and ₹ 40 crore for IGST.** ➲ Thus, Amount of pre-deposit will be ➤ CGST: 10% of ₹ 8 crore = ₹ 0.8 crore ➤ IGST: 10% of ₹ 5 crore = ₹ 0.5 crore ➲ Since both are within the prescribed limits, total pre-deposit = **₹ 1.3 crore.**
2.	➲ **Additional pre-deposit for appeal before Appellate Tribunal:** As per section 112(8), the appellant shall pay: ➤ Full amount admitted (Nil), and ➤ **10% of the disputed tax, in addition to** the amount deposited under section 107(6), subject to a maximum of **₹ 20 crore for CGST and ₹ 40 crore for IGST.** ➲ Thus, Additional deposit required: ➤ CGST: 10% of ₹ 8 crore = ₹ 0.8 crore ➤ IGST: 10% of ₹ 5 crore = ₹ 0.5 crore ➲ Total additional pre-deposit = **₹ 1.3 crore.**
3.	➲ **Pre-deposit where order demands only penalty:** As per section 107(6) and section 112(8), where an order demands **penalty without involving any tax demand,** no appeal shall be filed unless the appellant pays **10% of the penalty amount.** ➲ In the given case: ➤ Penalty imposed = ₹ 60 lakh ➤ Pre-deposit required = 10% of ₹ 60 lakh = **₹ 6 lakh.**

Rule 110A: Procedure for the Appeals to be heard by a single Member Bench

Newly Inserted by N/N 13/2025

1) Transfer of Appeal to Single-Member Bench:

- The President, or the Vice-President when authorised for a State Bench, may on his own or on an application by the parties, examine any appeal.
- If the appeal does not involve a question of law, it may be transferred to a Single-Member Bench within that State.

2) Return of Appeal by Single-Member Bench:

If the Single-Member Bench finds that a question of law may be involved, it shall record reasons and return the appeal for reconsideration.

3) Assignment to Division Bench in Similar Matters:

- While scrutinising or reconsidering an appeal, it must be verified whether the same issue for the same taxable person in that State for the same or different tax period has already been heard or decided by a Technical Member & Judicial Member.
- If so, the appeal must be heard by Bench comprising Technical member & Judicial Member.

4) Cumulative Calculation for Monetary Limit

For the ₹ 50-lakh limit u/s 109(8), the cumulative tax/ITC involved or any fine, fee or penalty across all issues and tax periods in the appealed order shall be considered.

Rules 110 & 111 of the CGST Rules, 2017 dealing with appeal to the appellatetribunal has been amended to provide as under:-

- Originally, Sec 110/111 contained **two parallel modes i.e** Electronic filing and Manual filing (as a general alternative)
- With GST systems becoming fully functional (especially with GST Appellate Tribunal being operationalised), the law has been tightened.
- Now Manual filing of appeal in FORM GST APL-05 is **omitted** because manual filing is now conditional and exceptional.
- Similarly manual filing of memorandum of cross objection is **omitted.**

Date of Filing of Appeal – Old vs New (After N/N 13/2025):

S.No.	Situations	Old Forms	New Forms
a)	Where the order appealed against is uploaded on the common portal	FORM GST APL-02	in Part B of FORM GST APL- 02A
b)	If the order appealed against is not uploaded on the common portal & copy submitted within 7 days	FORM GST APL-02	in Part B of FORM GST APL- 02A
c)	Where the said self-certified/self-attested copy of the order is submitted/uploaded after a period of 7 days from the date of filing of FORM GST APL-05/ FORM GST APL-07:	FORM GST APL-02	in Part B of FORM GST APL- 02A

Rule 113: Order of Appellate Authority or Appellate Tribunal

No appeals can be filed against these orders

1)	The Appellate Authority shall, along with its order under sub-section (11) of section 107, issue a summary of the order in FORM GST APL-04 clearly indicating the final amount of demand confirmed.
2)	**OLD SUB RULE:** ~~The jurisdictional officer shall issue a statement in **FORM GST APL-04** clearly indicating the final amount of demand confirmed by the Appellate Tribunal.~~ The Appellate Tribunal shall, along with its order under sub-section (1) of section 113, issue, or cause to be issued, a summary of the order in FORM GST APL-04A clearly indicating the final amount of demand confirmed by the Appellate Tribunal. **Substituted by N/N 13/2025**

Customs Act, 1962
&
Foreign Trade Policy (FTP)

ASSESSMENT & DATE FOR DETERMINATION OF RATE & TARIFF VALUE

Sec 18: Provisional Assessment

d) Time limit of Finalisation of Provisional Assessment: The proper officer must finalize the provisional assessment within 2 years from the date of such assessment. **Newly Inserted by F.A.25**

Extension: This period may be **extended by 1 more year** if the Principal Commissioner or Commissioner of Customs provides written reasons and sufficient cause.

N/No. 55/2025 Cus (NT) dated 12.09.2025: Customs (Finalization of Provisional Assessment) Regulations, 2025

Regulations	Particulars	Legal Position
Reg 4	**Submission of documents/ information**	➲ When provisional assessment is made due to non-submission of documents, the proper officer must **intimate the specific documents within 15 days.** ➲ Importer/exporter must submit them **within 2 months.** The proper officer may grant up to **2 months extension** (with written reasons) and **superior officer may grant further extension,** but **total period cannot exceed 14 months** from provisional assessment. ➲ If not submitted, assessment is **finalised on available records.** ➲ After submission, importer/exporter must **inform the officer in writing.**
Reg 5	**Enquiry-based provisional assessment**	➲ Where provisional assessment is pending due to **further enquiry,** the enquiry officer must complete **enquiry and forward report with documents to the proper officer within 14 months** from provisional assessment. ➲ During enquiry, the proper officer may **seek additional documents or information.**
Reg 7	**Voluntary payment of duty**	➲ During pendency of provisional assessment, importer/ exporter may **voluntarily pay duty of own ascertainment electronically** against the bill of entry or shipping bill. ➲ Such payment shall be **adjusted against final or re-assessment** and shall be **subject to interest,** if applicable.
Reg 8	**Time-limit for finalisation**	➲ Normally, the proper officer shall **finalise provisional assessment within 3 months** from receipt of documents, expiry of submission time, or completion of enquiry ➲ A superior officer may grant **extensions of up to 2 months**

		at a time, but overall finalisation must be within 2 years from provisional assessment. ➲ Where delay is due to reasons beyond control (foreign authority info, appeal, stay, Board directions, Settlement/Interim Board), importer/exporter must be **informed,** and the **2-year period starts from the date such reason ends.**
Reg 9	**Manner of finalisation**	➲ Provisional assessment shall be finalised **as per prescribed law.** ➲ If final assessment **differs,** the proper officer must pass a **speaking order following natural justice.** ➲ If final assessment confirms provisional assessment, it shall be finalised after **recording acceptance of importer/exporter and intimating them in writing.** ➲ Any **duty shortfall,** after adjustment of payments already made, shall be **payable with interest.**
Reg 10	**Closure after finalisation**	➲ After finalisation, where assessment is confirmed, or full duty with interest is paid, or bond is executed (for warehoused goods), the **bond and security shall be cancelled, re-credited or returned,** if no dues are pending. ➲ If any amount remains **unpaid for more than 90 days,** it shall be **adjusted against security or recovered.** ➲ Any **refund arising** shall be processed as per prescribed refund procedure.
Reg 11	**Extension beyond 2 years**	Notwithstanding other regulations, the **Customs Commissioner** may, for **sufficient cause and recorded reasons, extend provisional assessment beyond 2 years by up to 1 additional year.**
Reg 12	**Penalty**	If an importer/exporter, authorised representative or Customs Broker **violates these regulations, a penalty up to ₹2 lakh** may be imposed.

Note: Time Limits Map

Stages	Time limits/Actions
Intimation of documents	Within 15 days
Submission of documents	2 months (+ extension, max 14 months)
Enquiry completion	Within 14 months
Normal finalisation	3 months
Overall limit	years
Commissioner extension	+ 1 year
Recovery after finalisation	After 90 days
Penalty	Up to ₹ 2 lakh

Sec 18A: Voluntary revision of entry, post clearance. (Newly inserted)

1)	Even after goods are cleared, the importer or exporter is **allowed to revise the entry** filed earlier, as per prescribed rules, time limit and conditions.
2)	After revising the entry, the importer/exporter shall self-assess the duty **(calculate the correct duty)**
3)	a) If, after revision, it is found that **less duty was paid or duty was not paid,** the importer/exporter **can voluntarily pay the short duty along with interest.** b) If, after revision, excess duty was paid, the revised entry will be **treated as a refund application** under customs.
4)	a) The proper officer **may check the revised entry and self-assessment,** mainly in cases selected through **risk-based system.** b) If the self-assessment done by the importer/exporter is **incorrect,** the proper officer **can re-assess the duty.**
5)	No Revision of entry is allowed in following cases: a) if audit, search, seizure or summons **has already started and is informed** to the importer/ exporter. b) where duty is already assessed or re-assessed under **sections 17, 18 or 84.** c) **in any other cases** that may be **notified by the Board (CBIC).**

Foreign Trade Policy (FTP) 2023

Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) extended till 31.03.2026

Notification No. 35/2025 has **extended** the applicability of RoDTEP Scheme for eligible exports from DTA, by Advance Authorisation (AA) holders, Export Oriented Units (EOUs) and SEZ units up to 31.03.2026.