



### LATEST CASE LAWS

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- **Kerala High Court:** Pazhassi Motors v. State of Kerala WP(C) NO. 45451 of 2025
- **Gujrat HC:** M/s Akash Agro Industries Limited Versus State of Gujarat & Ors.; SCA No. 14912 of 2925

### LATEST UPDATES

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- **Notification No. 19/2025-** Central Tax dated 31.12.2025

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- **Delhi HC:-** Stanlee (India) Enterprises Pvt. Ltd. v. The Commissioner of CGST.: W.P.(C) 5370/2025

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- **Allahabad HC:** M/s Raghuvansh Agro Farms Ltd. v. State of U.P; Writ Tax no. 3829 of 2025
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# INDIRECT TAX UPDATES

DECEMBER 2025

An E - Newsletter

**Delhi High Court: Kapila Madan v. Union of India & Ors:**  
WP(C) No. 19644 of 2025

**[PIL for Reduction of GST on Air Purifiers as Medical Devices]**

**Background:** The petitioner filed a petition in public interest before the Hon'ble Delhi HC contending that air purifiers qualify as “medical devices” under the expanded definition notified on 11.02.2020 under Section 3(b)(iv) of the Drugs and Cosmetics Act, 1940. While medical devices covered under this notification attract 5% GST, air purifiers continued to be taxed at 18% GST under HSN 84213920. The petitioner challenged this higher rate as arbitrary and violative of Articles 14 and 21 of the Constitution, especially in view of severe air pollution and public health concerns. Reliance was also placed on recommendations of the Parliamentary Standing Committee, which suggested reduction or abolition of GST on air purifiers.

**Decision:** The Hon'ble High Court did not finally decide the tax classification but made strong prima facie observations that, considering the functions performed by air purifiers and the Notification dated 11.02.2020, there appears to be no reason why the 5% GST rate applicable to medical devices should not also apply to air purifiers and HEPA filters.

Taking note of the public health implications and the Parliamentary Standing Committee's recommendations, the Court directed the GST Council to consider, at the earliest, the issue of lowering or abolishing GST on air purifiers and HEPA filters, and listed the matter for further directions regarding the timeline for such consideration

**Kerala High Court: Pazhassi Motors vs State of Kerala**  
WP(C) NO. 45451 of 2025

**[Validity of Tax Demand and Procedural Fairness under GST]**

**Background:** A writ petition was filed challenging the denial of Input Tax Credit (ITC) for the financial year 2018-19. The petitioner, a registered dealer under the GST regime, had claimed ITC in its returns. However, the assessing authority rejected the ITC on the ground that the relevant returns for May 2018 to March 2019 were filed after the deadline prescribed under Section 16(4) of the CGST Act, 2017, which sets a time limit for availing credit. The petitioner contended that even though the returns were filed late under Section 16(4), he was still entitled to ITC under the later Section 16(5) provisions, which operate notwithstanding the limitation and were introduced retrospectively.

**Decision:** The Hon'ble High Court held that a taxpayer's claim for Input Tax Credit (ITC) cannot be denied merely because the relevant GST returns were filed after the deadline under Section 16(4) of the CGST Act, 2017.

The Court relied on Section 16(5), a non-obstante provision introduced retrospectively, which allows ITC claims if returns were submitted before the extended cut-off date specified therein. Consequently, the High Court quashed the denial of ITC and permitted the petitioner to claim the credit, interpreting Section 16(5) as overriding the limitation in Section 16(4).

**Gujrat HC: M/s Akash Agro Industries Limited Versus**  
State of Gujarat & Ors.; SCA No. 14912 of 2925

**[Refund claims within statutory limitation cannot be rejected by applying subsequent circulars retrospectively, as such action is ultra vires Section 54 of the GST Act and violative of Article 14.]**

**Background :**

The writ petition challenged rejection of refund claims under Section 54(3) for inverted duty structure, where claims relating to periods prior to 13.07.2022 were rejected solely due to subsequent Notification/Circular dated 10.11.2022 / 12.11.2022. The petitioner relied on Coordinate Bench rulings holding such circulars ultra vires Section 54 for creating an artificial and discriminatory classification based on filing date.

**Decision:** The Hon'ble Gujarat High Court held that the issue was no longer res integra in view of Coordinate Bench rulings, particularly Patanjali Foods Ltd., and ruled that paragraph 2(2) of Circular No. 181/13/2022-GST, to the extent it sought retrospective application to earlier periods, was ultra vires Section 54 of the GST Act and violative of Article 14. Consequently, the rejection and appellate orders were quashed, and the matter was remanded with directions to process the refund claims in accordance with law, without rejecting them on limitation grounds.

## Key Highlights of the December 2025 GST:

### Notification No. 19/2025 – Central Tax (Dated 31.12.2025)

The Government has amended Notification No. 49/2023 – Central Tax dated 29.09.2023 by inserting Clause (iv), effective from 1 February 2026.

Salient Features:

- **Clause (iv) covers the supply of specified goods on which retail sale price is declared, including:**
  - Pan masala
  - Unmanufactured tobacco
  - Cigarettes
  - Other manufactured tobacco
  - Nicotine-based inhalation products (non-combustion)
- **Retail Sale Price (RSP) is defined as the maximum price declared on the packaged goods at which such goods may be sold to the ultimate consumer, inclusive of all taxes, duties, surcharge or cess.**

Where:

Multiple RSPs are declared → Highest RSP shall apply

RSP is altered → Altered RSP shall be deemed to be the RSP

Different RSPs are declared for different regions → Area-wise RSP shall apply

### Notification No. 20/2025 – Central Tax (Dated 31.12.2025)

The Ministry of Finance (Department of Revenue), vide Notification No. 20/2025 – Central Tax, dated 31 December 2025, has notified the Central Goods and Services Tax (Fifth Amendment) Rules, 2025, effective from 1 February 2026.

Key Highlights:

- **Insertion of Rule 31D – Valuation Based on Retail Sale Price (RSP):**

A new valuation mechanism has been introduced for specified goods, whereby the value of supply shall be determined on the basis of the Retail Sale Price (RSP).

Specified Goods Covered:

- Pan masala
  - Unmanufactured tobacco (excluding tobacco leaves)
  - Cigarettes
  - Other manufactured tobacco
  - Products containing tobacco or nicotine intended for inhalation without combustion
- **Amendment to Rule 86B:**

Non-manufacturers have been exempted from the restrictions under Rule 86B only in respect of supplies of goods covered under Rule 31D, where tax is discharged on an RSP basis.

## **Delhi HC:- Stanlee (India) Enterprises Pvt. Ltd. v. The Commissioner of CGST.: W.P.(C) 5370/2025 [Refund Proceedings Cannot Be Used as a Substitute for Assessment or Recovery]**

**Background:** The petitioner claimed IGST refunds on exports for August–October 2024, supported by shipping bills duly processed on ICEGATE. The Department rejected the refund applications through Form RFD-08, citing alleged excess ITC based on GSTR-2A vs GSTR-3B mismatch for FY 2019-20, an entirely different period. No show cause notice under Sections 73 or 74 had been issued for the alleged excess ITC, nor was any such demand reflected in the departmental audit.

**Department Contention:** The Department contended that, notwithstanding the absence of a show cause notice under Sections 73 or 74, the refund could be denied since the alleged excess ITC was reflected in the refund rejection order itself. It was argued that issuance of Form RFD-08 and the reasoning contained therein was sufficient to justify withholding of the refund.

**Decision of the court:** Rejecting the Department's stand, the Delhi High Court held that refund proceedings cannot be transformed into assessment or recovery proceedings. Alleged excess ITC can be acted upon only by following the statutory mechanism under Sections 73 or 74. A notice under Rule 92(3) is confined to examining refund admissibility and cannot substitute a show cause notice for recovery. In the absence of any adjudicated demand, denial of refund was held to be without jurisdiction. The Court directed release of the IGST refund along with statutory interest.

**Editorial Comment:** The Delhi High Court's ruling in Stanlee (India) Enterprises Pvt. Ltd. decisively curbs the misuse of refund proceedings as a tool for indirect assessment. The Court has reaffirmed that alleged excess Input Tax Credit can be addressed only through proceedings under Sections 73 or 74, and not by blocking refunds without adjudication.

By rejecting the practice of withholding export refunds on unadjudicated allegations from unrelated periods, the judgment restores statutory discipline and protects taxpayers from coercive administration, particularly in cases where refund timeliness is vital to business liquidity.



### **EDITOR'S COMMENTS**

- The Delhi High Court's ruling in Stanlee (India) Enterprises Pvt. Ltd. decisively curbs the misuse of refund proceedings as a tool for indirect assessment. The Court has reaffirmed that alleged excess Input Tax Credit can be addressed only through proceedings under Sections 73 or 74, and not by blocking refunds without adjudication.
- By rejecting the practice of withholding export refunds on unadjudicated allegations from unrelated periods, the judgment restores statutory discipline and protects taxpayers from coercive administration, particularly in cases where refund timeliness is vital to business liquidity

### **Gujrat HC: Shyam Steel Co. v. CCE Petition No. CEXA of 2024**

The Calcutta High Court set aside the CESTAT's refusal to condone a delay of 2262 days in filing a statutory appeal, holding that the Tribunal had adopted an unduly hyper-technical approach. The delay arose due to the assessee's bona fide pursuit of resolution under the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, coupled with COVID-19 disruptions. Relying on N. Balakrishnan v. M. Krishnamurthy, the Court held that length of delay is immaterial when the explanation is reasonable. Emphasizing that limitation law should not defeat substantive justice, the delay was condoned subject to costs and the appeal was directed to be decided on merits.

### **Allahabad HC: M/s Raghuvansh Agro Farms Ltd Vs. State of U.P.: Writ Tax no. 3829 of 2025**

The Hon'ble Allahabad High Court held that initiation of proceedings under Section 74 of the GST Act is wholly without jurisdiction in the absence of specific allegations or findings of fraud, wilful misstatement, or suppression of facts with intent to evade tax. The Court noted that the petitioner's transactions were duly supported by tax invoices, e-way bills, bilties, banking records, and were consistently reflected in GSTR-1, GSTR-2A, and GSTR-3B. It was held that drawing adverse inference merely due to non-production of toll plaza receipts was perverse and unsupported by law. The Court further observed that, in the absence of a valid cross-empowerment notification, State GST authorities lacked jurisdiction. Additionally, once proceedings against the supplier had been dropped, no adverse inference could be sustained against the recipient. Accordingly, the impugned orders were quashed and the writ petition was allowed with consequential reliefs.

### **Allahabad HC: M/S Bambino Agro Industries Ltd. vs State of Uttar Pradesh and Others.: Writ Tax no. 2707 of 2025**

The Hon'ble Allahabad High Court examined the validity of service of GST notices and adjudication orders where the same were only uploaded on the GST Common Portal without effective communication to the taxpayer. The Court held that mere uploading on the portal does not amount to valid service under Section 169 of the GST Act.

In the absence of actual or constructive service, the limitation period prescribed under Section 107 for filing an appeal does not commence. Emphasizing that effective communication is a sine qua non for triggering appellate limitation, the Court set aside the impugned orders and remanded the matter to the authorities for fresh proceedings after ensuring due and proper service.

The Hon'ble Allahabad High Court examined the validity of service of GST notices and adjudication orders where the same were only uploaded on the GST Common Portal without effective communication to the taxpayer. The Court held that mere uploading on the portal does not amount to valid service under Section 169 of the GST Act. In the absence of actual or constructive service, the limitation period prescribed under Section 107 for filing an appeal does not commence. Emphasizing that effective communication is a sine qua non for triggering appellate limitation, the Court set aside the impugned orders and remanded the matter to the authorities for fresh proceedings after ensuring due and proper service..

[Important GST changes and amendments made in 2025, which will impact your taxation in 2026 - The Economic Times](#)

[GST collection grows 6.1% in December 2025 as rate-cut impact shows – Hindustan Times](#)

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