ALA Legal
ADVOCATES & SOLICITORS

INDIRECT TAX UPDATES:

July'2026 | AN E-NEWSLETTER

LATEST CASE LAWS

- **Madras High Court:** Guru and Co. v. UOI and Ors. [W.P.(MD) No. 14115 of 2022]
- **Tripura High Court:** Sri Shekhar Chandra Podder v. UOI and Ors. [W.P. (C) No. 285 of 2025]
- **Supreme Court:** UOI v. M/s KK Alloys [SLP (Civil) Diary No. 33451/2026]

EDITOR'S COLUMN

Orissa High Court: Rashmi Agency v. Deputy Commissioner CT & GST Circles and Ors. [Writ Petition No. 17470 of 2026]

The Orissa High Court held that the power to withhold refund under Section 54(11) of the CGST Act can be exercised only when the order giving rise to the refund is actually the subject matter of a pending appeal or other proceeding, and the statutory conditions are satisfied. A mere intention or possibility of filing an appeal does not empower the Department to withhold the refund.

NOTIFICATION / CIRCULAR

- **Circular No. 255/01/2026-** GST dated 25 June 2026 clarifies the jurisdiction of GST authorities in cases involving migration or transfer of taxpayers between jurisdictions and the continuation of pending proceedings
- **GSTN** has revised the timeline for amendment of Aggregate Annual Turnover (AATO) for **FY 2025–26**, enabling automatic updation of AATO based on subsequent GST return filings

TAX BITES

M/s Wellman Distributors v. Commr. of Customs [Customs Appeal No. 40088 of 2017]

The CESTAT, Chennai held that NIDB data alone cannot be the basis for rejecting the declared transaction value under Rule 12 of the Customs Valuation Rules, 2007.

Madras High Court: Guru and Co. v. UOI and Ors. [W.P.(MD) No. 14115 of 2022]

[Government cannot go beyond GST Council recommendations while issuing GST Notifications]

The petitioners challenged Notifications Nos. 27/2017 and 28/2017 (CGST/IGST) and the corresponding State Notifications, contending that the Government had expanded the scope of GST by introducing the expression "enforceable right in a court of law", which was not part of the GST Council's recommendations.

The Madras High Court held that notifications issued under Sections 9 and 11 of the CGST Act must be on the recommendations of the GST Council, and the Government cannot add provisions beyond such recommendations. Accordingly, the expression "enforceable right in a court of law" was declared ultra vires. The Court further held that the GST Council has no power to ratify notifications after their issuance.

Key Takeaway: The Government cannot enlarge the scope of GST notifications beyond the GST Council's recommendations, and subsequent ratification by the GST Council cannot validate such additions

Tripura High Court: Sri Shekhar Chandra Podder v. UOI and Ors. [W.P. (C) No. 285 of 2025]

[Extension for Filing Annual Returns Does Not Extend Limitation for Section 74 Proceedings]

The main question before the Court was whether the Show Cause Notice issued under Section 74 was barred by limitation, and whether the extension granted for furnishing the annual return for FY 2017-18 under Notification No. 06/2020 dated 03.02.2020 also extended the time limit available to the Department for initiating proceedings under Section 74 of the Act.

The Court held that the extension granted for filing annual returns was intended only for the benefit of taxpayers and did not extend the Department's time limit for initiating proceedings under Section 74. Consequently, the proceedings for FY 2017-18 were held to be without jurisdiction

Key takeaway: An extension of the due date for filing GST annual returns does not automatically extend the statutory limitation for initiating proceedings under Section 74 of the CGST Act.

Supreme Court: UOI v. M/s KK Alloys [SLP (Civil) Diary No. 33451/2026]

[Supreme Court Upholds Ruling Against Negative Blocking of Electronic Credit Ledger under Rule 86A]

The petitioner challenged the negative blocking of its Electronic Credit Ledger under Rule 86A of the CGST Rules, contending that the authorities had blocked ITC exceeding the credit available in the ECL by creating a negative balance.

The Punjab & Haryana High Court held that Rule 86A permits restriction only of the ITC available in the Electronic Credit Ledger and does not authorize the creation of a negative balance. The impugned entries were set aside to the extent they blocked credit in excess of the available ITC, while leaving the Department free to recover dues in accordance with law.

Key takeaway: Negative blocking of the Electronic Credit Ledger under Rule 86A is impermissible, and this view has been upheld by the Supreme Court by dismissing the Revenue's Special Leave Petitions

ALA Legal
ADVOCATES & SOLICITORS

Orissa High Court: Rashmi Agency v. Deputy Commissioner CT & GST Circles and Ors. Writ Petition No. 17470 of 2026

EDITOR'S COMMENTS

This decision reinforces that Section 54(11) cannot be invoked pre-emptively. Tax authorities cannot deny or defer refunds merely because the limitation period for filing an appeal is still available. Unless an appeal or other proceeding is actually pending and the statutory requirements- including recording reasons under Rule 92(2) read with Form GST RFD-07- are fulfilled, refund cannot be withheld.

ISSUE

Whether the Department can refuse or withhold a refund under Section 54(11) of the CGST Act merely because the limitation period for filing an appeal has not expired, even though no appeal or other proceeding is pending.

RULING

The Orissa High Court held that the power to withhold refund under Section 54(11) of the CGST Act can be exercised only when the order giving rise to the refund is actually the subject matter of a pending appeal or other proceeding, and the statutory conditions are satisfied. A mere intention or possibility of filing an appeal does not empower the Department to withhold the refund. The Court accordingly set aside the impugned order and remanded the matter for fresh consideration in accordance with law

BACKGROUND

The petitioner sought refund of Rs. 33 lakh deposited during a DGGI investigation, which had been allowed by the First Appellate Authority. However, the Deputy Commissioner refused to consider the refund application on the ground that the Department still had time under Section 112(3) of the CGST Act to file an appeal before the GST Appellate Tribunal and, therefore, the appellate order had not attained finality.

DECISION

The Orissa High Court held that the power to withhold refund under Section 54(11) can be exercised only where the order giving rise to the refund is actually the subject matter of an appeal or other pending proceeding, and the Commissioner forms the requisite opinion that grant of refund is likely to adversely affect the revenue. A mere possibility or intention to file an appeal is insufficient. Since no appeal was pending on the date the refund application was rejected, the Deputy Commissioner had no jurisdiction to refuse the refund on the ground that the appellate order had not attained finality. Accordingly, the impugned order was set aside and the matter was remanded for fresh consideration.

NOTIFICATION/CIRCULAR

Circular No. 255/01/2026- GST dated 25 June 2026: Clarification regarding jurisdiction in cases involving migration/ transfer of taxable persons from one jurisdiction to another jurisdiction

CBIC has issued a clarification to address jurisdictional issues arising when a registered person migrates or transfers to another GST jurisdiction. It has clarified that any action or proceeding validly initiated by the transferor jurisdictional officer before the transfer will continue to remain valid. However, after the transfer, the transferee jurisdictional officer will be responsible for all subsequent proceedings, including adjudication, implementation of orders, recovery, appeals, and other consequential actions. The transferor officer cannot initiate fresh proceedings after the taxpayer's migration.

Key takeaway: While proceedings validly initiated before migration remain unaffected, all subsequent actions must be undertaken by the transferee jurisdictional officer, ensuring continuity without duplication of jurisdiction.

Advisory on Revision of Timeline for Amendment of Aggregate Annual Turnover (AATO), 2026

GSTN has revised the timeline for amendment of Aggregate Annual Turnover (AATO) for FY 2025–26 due to system enhancements that will enable automatic updation of AATO based on subsequent GST return filings. Taxpayers can now apply for AATO amendments from 1 July to 31 July 2026, while the jurisdictional tax officer will review such applications from 1 August to 15 August 2026.

Key takeaway: Taxpayers should review and update their AATO within the prescribed timeline to ensure accurate turnover-based compliance, as the amended figures will be subject to verification by the jurisdictional office.

M/s Wellman Distributors v. Commr. of Customs [Customs Appeal No. 40088 of 2017]- CESTAT Chennai

CASE SUMMARY

Background: The Department enhanced the customs value of imported LED bulbs solely on the basis of NIDB data, resulting in a demand of differential duty, confiscation, redemption fine, and penalty, which was challenged by the importer.

Held: The CESTAT, Chennai held that NIDB data alone cannot be the basis for rejecting the declared transaction value under Rule 12 of the Customs Valuation Rules, 2007. The Department failed to produce comparable Bills of Entry, invoices, or any independent evidence establishing undervaluation or proving the similarity of the alleged contemporaneous imports. The Tribunal further observed that there was no evidence of additional consideration, flow-back of funds, or misdeclaration, and that the declared invoice value had been fully remitted through banking channels. Consequently, the enhancement of value, differential duty demand, interest, confiscation, redemption fine, and penalty were held to be unsustainable.

Result: The Tribunal set aside the valuation enhancement, differential duty demand, confiscation, redemption fine, penalty, and allowed the appeal.

Significance: The decision reiterates that transaction value cannot be rejected merely on the basis of NIDB data without independent evidence satisfying Rule 12 of the Customs Valuation Rules, 2007

GET IN TOUCH

ADDRESS 5 Babar Lane, Bengali Market, New Delhi – 110001

EMAIL delhi@alalegal.in | commercial@alalegal.in

PHONE 011–43036677 | +91 | 9891898911

INDIRECT TAX CASE UPDATE | July'2026 | AN E-NEWSLETTER