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NEWSLETTER

Chairman's Message



Refining the Technology in Accounting Environment: Building Trust in a Digital Age

October always reminds us Indians of Mahatma Gandhi, born on 2nd October. Jawaharlal Nehru described him as an extraordinary light, one that had illuminated this country for many years, would continue to do so for many more, and would be seen across the world a thousand years later, bringing solace to innumerable hearts. Gandhiji held a unique view of professionals. For him, the interests of society and the nation were always greater than those of the individual, and the interests of humanity were supreme. A profession, he believed, must serve the best interests of humanity.

Gandhiji also said, "There is a higher court than courts of justice and that is the court of conscience." Chartered Accountants of our country have always placed ethics and integrity on the highest pedestal, above everything else. That court of conscience matters even more today, when the tools we use are changing faster than ever before.

"The future depends on what we do in the present," said Mahatma Gandhi. These words deserve special attention from the Indian accountancy profession at this moment. As the Greek philosopher Heraclitus observed, "Nothing endures but change." Our profession stands at a turning point, and the most powerful force driving this change is technology.

Technology: An Opportunity and an Enabler

Artificial Intelligence, data analytics, automation, cloud computing and blockchain are no longer distant ideas. They are reshaping finance functions, audit methodology and the very role of the accountant. Routine tasks that once took days are now completed in minutes. Entire populations of transactions can be analyzed instead of samples. Risks can be identified in real time rather than after the year has closed.

The need of the hour is clear: accountants must learn these advanced technologies quickly to remain relevant. Harnessing technology for skill development, good governance and better services has always been a priority for the profession, and technology has proved to be both an opportunity and an enabler. What is required now is an innovative, out-of-the-box mindset, one that embraces new ideas and carries the willingness to unlearn and relearn. Only then can we empower our members and stakeholders to meet contemporary technological trends and challenges with confidence.

India itself shows what this transformation looks like. Once viewed largely as a vast consumer market for digital services, India is now an emerging global technology power. Through Digital Public Infrastructure, indigenous innovation, a vibrant startup ecosystem and mission-mode initiatives in Artificial Intelligence, semiconductors, quantum technologies, supercomputing, cloud computing and cybersecurity, the country is shaping global technology development. India's trusted digital infrastructure and inclusive digital governance are positioning it as a reliable technology partner to the world. The accountancy profession must keep pace with, and contribute to, this national journey.

Trust: The Foundation That Technology Cannot Replace

Yet technology alone does not create confidence. Trust in financial systems is not a one-time achievement; it is a continuous commitment that must evolve with changing technology and rising stakeholder expectations. The digital age has brought real gains in transparency and real-time insight, but it has also introduced new complexities: algorithmic decisions that are hard to explain, data that can be manipulated at scale, and cyber risks that cross every border. These demand stronger oversight, not weaker.

Far from reducing the relevance of audit, these developments reinforce it. As the ways in which financial information is generated change, the need for independent assurance and sound professional judgement becomes more critical than ever. A machine can process data, but it cannot exercise conscience. It can flag an anomaly, but it cannot weigh the public interest. That responsibility belongs to the professional.

Technology can make financial information faster and more accessible. Accountability, supported by sound governance and independent assurance, is what makes it trustworthy. For centuries, financial systems have been built on trust. Technology may redefine how that trust is earned and verified, but it can never replace the need for it.

The path forward, therefore, lies neither in the uncritical adoption of every new technology nor in resistance to change. It lies in disciplined integration, guided by independence, objectivity, professional scepticism and integrity. We must use technology to strengthen our judgement, never to surrender it.

Lighting the Way Forward

Gandhiji taught us that the means are as important as the ends. In our profession, technology is the means, and trust is the end. If we master the tools of the digital age while holding fast to the values that have always defined us, Chartered Accountants will not merely adapt to the future; we will shape it.

Let every member of this profession be a learner who embraces change, a professional who answers first to the court of conscience, and a guardian of the trust that society places in us. The light that Gandhiji lit still shows the way. Let us carry it forward, with technology in our hands and integrity in our hearts, and build a financial ecosystem that India and the world can rely upon for generations to come.

The future depends on what we do in the present. Let us act now, and act with purpose.

Warm regards,
CA.JobbyGeorge
Chairman
Ernakulam Branch of SIRC of ICAI

Reported Judicial Decisions



CA. P.M.Veeramani
FCA

Statute: Income Tax Act – Sec.9(1)(ii) – Employed in foreign ship
Title : Pralay Pradyotkanti Ghosh vs ITO
Citation: 133 ITR Trib 375
Decision in favour of : Assessee
Bench: ITAT Ahmedbad

The assessee's duties were performed on a foreign ship within the exclusive economic zone, not involving direct interaction with the seabed or subsoil , were concluded as services not rendered within India for tax purposes and hence not covered by notification no.GSR 304(E) dated 31.3.1983. Hence salary received by non-resident engineer from a foreign employer is not liable for tax in India.

Statute: Income Tax Act – Sec.10(10AA) – Leave encashment
Title : Anil Kumar Shukla vs CIT
Citation: 218 ITD 433
Decision in favour of : Assessee
Bench: ITAT Indore

Assesse, retired employee of SBI, eligible for enhanced ceiling of Rs.25 lakhs ceiling for exemption as CBDT notification 31/2023 dated 24.5.2023 was to be applied for computing exemption . AO not correct in restricting exemption to Rs.3 lakhs.

Statute: Income Tax Act – Sec. 12A – Play school and KG
Title : Indian Institute of Model Education Society vs CIT
Citation: 218 ITD 416
Decision in favour of : Assessee
Bench: ITAT Chandigarh

Society operating play school and KG employing NTT qualified teachers, showing systematic imparting of pre-primary education , such activities constituted "education" under section 2(15) , making them eligible for registration under section 12A.

Statute: Income Tax Act – Sec. 37 – Premium to LIC for annuity
Title : Brahmmayya vs DCIT
Citation: 351 CTR 86
Decision in favour of : Assessee
Bench: Madras HC

Premium paid to LIC to provide for annuity payment to for a retired employee in terms of agreement entered into between the partners (who also happened to be an employee of the firm) cannot be classified as contingent liability but is an expenditure towards a liability.

Statute: Income Tax Act – Sec. 50C, 56(2)(x) – Safe habour limits
Title : Shreyas Naynesh Modi vs ITO
Citation: 136 ITR Trib 489
Decision in favour of : Assessee
Bench: ITAT Mumbai Special Bench

When property valuation is done by the DVO, then the value determined by him should be substituted for stamp duty valuation for determination of inadequate consideration for the purpose of sec.56(2)(x). Once the difference is less than 10%, then no addition is required since it is within the safe harbor prescribed by law.

Statute: Income Tax Act – Sec. 69/69B – Inflated stock to bank
Title : Ajay Food Products vs ITO
Citation: 351 CTR 106
Decision in favour of : Assesse
Bench: J & K HC

Addition to stock based on the inflated value of stock given to bank , both in terms of quantity and value is to be sustained as the practice of declaring inflated quantity of stock to the bank for the purpose of securing higher cash credit amounts to commercial immorality and such practice cannot be countenanced in law.

Statute: Income Tax Act – Sec.70(3) vs 54F – Latter prevails
Title : Nikesh Bhagwandas Mehta vs ITO
Citation: 218 ITD 409
Decision in favour of : Assessee
Bench: ITAT Mumbai

Assessee earned LTCG from sale of shares and claimed deduction under section 54F while also incurring LTCL on sale of other shares and carried forward the loss. Exemption u/s 54F was allowable on entire LTCG and LTCL was eligible to carry forward without set off , as section 54F prevails over section 70(3) in computation.

Statute: Income Tax Act – Sec.270A – Notice not specific
Title : St.Joseph Educational Trust vs DCIT
Citation: 133 ITR Trib 328
Decision in favour of : Assessee
Bench: ITAT Chennai

Notice not specifying limb of section 270A under which penalty was initiated and consequently assessee not aware whether penalty was initiated for under reporting of income or misreporting of income. Since faults have difference consequences, omnibus notice not proper and since notice was vague, levy of penalty void as abinition.

Statute: Black Money Act 2015 – Sec.43 – Penalty is not mandatory
Title : Vinil Venugopal vs DDIT
Citation: 241 TTJ 897 SB
Decision in favour of : Assessee
Bench: ITAT SB Mumbai

The word 'may' used in section 43 of the Black Money Act has to be given its plain meaning as being directory in nature and cannot be construed as 'shall' ; imposition of penalty is not mandatory; there is a discretion in the AO to impose penalty or otherwise depending upon the facts and circumstances of each case .

SME IPO in India: Unlocking Growth Through Capital Markets and The Evolving Role of Chartered Accountants



CA Anna Jain Jose

Introduction

Micro, Small and Medium Enterprises (MSMEs) form the backbone of the Indian economy, contributing significantly to employment generation, entrepreneurship, innovation and industrial development. As Indian businesses aspire to scale their operations, expand into new markets and compete globally, access to timely and sustainable finance becomes increasingly important.

Traditionally, MSMEs have relied on bank borrowings, promoter contributions and private funding to meet their financial requirements. However, an Initial Public Offering (IPO) on a Small and Medium Enterprise (SME) exchange provides an alternative route for eligible enterprises to raise capital from the public and establish a stronger foundation for long-term growth.

The SME platforms of the Bombay Stock Exchange (BSE SME) and the National Stock Exchange (NSE Emerge) have created opportunities for growing enterprises to access the capital markets without necessarily meeting the scale associated with a Main Board listing. Nevertheless, an SME IPO is not merely a fundraising exercise; it represents a significant transition in the financial, operational and governance framework of an enterprise.

Understanding the SME IPO

An SME IPO is a public issue of securities by an eligible company seeking to list on a recognised SME exchange platform, subject to applicable regulatory and exchange requirements.

The funds raised through an IPO may support business expansion, capital expenditure, working capital requirements, repayment of eligible borrowings and other permitted objectivesdisclosed in the offer document. An IPO may also provide an exit opportunity to existing shareholders through an offer for sale, subject to the applicable regulatory framework. The SME listing route is particularly relevant for enterprises that have established a viable business model and are seeking to accelerate their growth. However, eligibility is not determined solely by the size of the enterprise.The company must satisfy the applicable requirements relating to its financial performance, track record, capital structure, disclosures and other conditions prescribed by SEBI and the relevant stock exchange.

Importantly, listing should be considered a strategic business decision rather than a short-term opportunity to monetise investments.

Why Should an SME Consider an IPO?

An SME IPO can provide several long-term advantages.

1. Access to growth capital: Public capital can help finance expansion, modernisation, technological upgrades, capacity enhancement and market diversification.

2. Improved financial visibility: A listed company operates within a framework of prescribed disclosures, reporting and regulatory oversight. This can strengthen financial discipline and stakeholder confidence.

3. Enhanced corporate credibility: Listing may improve the company's standing with customers, suppliers, lenders and potential business partners, although such benefits depend on the company's actual performance and governance standards.

4. Business continuity and succession planning: A structured corporate framework can facilitate institutionalisation of the business, reduce excessive dependence on individual promoters and support long-term succession planning.

5. A potential pathway for future growth: As the business expands and satisfies the applicable eligibility conditions, migration to the Main Board may become a future strategic consideration. Such migration is not automatic and is subject to the prevailing regulatory and exchange requirements.

These benefits must be evaluated against the costs of the issue, continuing compliance obligations, public scrutiny, potential dilution of promoter ownership and the responsibilities associated with a listed company.

Financial and Regulatory Preparedness: The Foundation of a Successful IPO

One of the most important lessons for prospective SME issuers is that IPO readiness must begin well before the filing of the offer document.

The company should maintain reliable books of account, timely financial statements, appropriate internal controls and a

clear audit trail for its transactions. Financial information should faithfully reflect the underlying business and comply with applicable accounting and reporting requirements.
Particular attention should be given to the following areas:

- **Quality of earnings:** Revenue recognition, cut-off procedures, gross margins, exceptional items and related-party transactions should be carefully reviewed.
- **Tax compliance:** Direct tax, GST, tax deduction at source and other statutory obligations should be examined, with outstanding disputes and contingent liabilities appropriately assessed and disclosed.
- **Working capital management:** Receivables, inventory, payables and cash conversion cycles should be monitored to ensure that reported profitability is supported by sustainable operating cash flows.
- **Capital structure:** Shareholding records, share issuances, transfers, beneficial ownership and promoter holdings should be properly documented.
- **Corporate records:** Statutory registers, board and shareholder minutes, material contracts, licences and regulatory approvals should be reviewed for completeness and compliance.
- **Contingent liabilities and litigation:** Pending proceedings, guarantees, commitments, borrowings and other material exposures should be identified and appropriately evaluated.
- **Use of issue proceeds:** Each proposed utilisation should be commercially justified, supported by realistic estimates and aligned with the disclosures in the offer document.

The eligibility criteria of the relevant exchange and the applicable SEBI regulations must be examined as in force at the time of the proposed issue. A company should not assume that profitability alone guarantees eligibility for an SME IPO.

The Evolving Role of Chartered Accountants

Chartered Accountants have a significant role to play in preparing MSMEs for the transition from promoter-driven enterprises to professionally governed listed companies.

1. IPO readiness assessment: A Chartered Accountant can undertake a preliminary diagnostic review of the company's financial position, accounting systems, statutory compliance, governance practices and readiness for external scrutiny. Early identification of deficiencies allows adequate time for corrective action.

2. Financial reporting and due diligence: The finance professional can help organise historical financial information, reconcile accounting records with statutory filings, identify unusual transactions and ensure that financial information is supported by appropriate documentation. Formal certifications, audit reports and other professional engagements must be undertaken within the applicable scope of authority and independence requirements.

3. Tax and corporate restructuring: Where commercially justified, the professional may advise on the tax and legal implications of restructuring, conversion, capital reorganisation and related-party arrangements. Any restructuring must have genuine commercial substance and comply with applicable law.

4. Coordination with intermediaries: The issue process involves several stakeholders, including the merchant banker, legal advisers, auditors, registrars and stock exchanges. A Chartered Accountant may assist the company in coordinating financial information, responding to queries and maintaining consistency across documents, while respecting each intermediary's distinct responsibilities.

5. Internal controls and governance: The introduction of documented financial policies, delegation of authority, periodic management reporting, risk assessment and effective board oversight can help the enterprise meet the expectations associated with public ownership.

6. Post-listing compliance: The responsibility does not end on the date of listing. Listed companies must continue to comply with applicable financial reporting, stock exchange disclosure, governance and other regulatory requirements. Chartered Accountants can support management in developing a compliance calendar, strengthening reporting systems and monitoring the utilisation of issue proceeds.

Throughout this process, professional independence, objectivity, confidentiality and adherence to the ICAI Code of Ethics remain fundamental.

Challenges and Risks That Require Attention

Despite its advantages, an SME IPO presents important challenges. The company must bear issue-related expenses and continuing compliance costs. Promoters must adapt to greater transparency, investor scrutiny and more formal decision-making processes.
SME-listed securities may also experience limited liquidity, higher price volatility and greater sensitivity to company-specific developments. Investors may face difficulties in buying or selling securities at their preferred prices. Accordingly, listing should not be viewed as a guarantee of valuation, liquidity or business success.
There is also a risk of pursuing an IPO without adequate operational readiness. Overstated growth projections, weak internal controls, aggressive revenue recognition, inadequate documentation or unrealistic estimates of fund requirements can undermine stakeholder confidence.
A responsible IPO strategy must therefore prioritise business fundamentals, transparent disclosures and sustainable growth over short-term market sentiment.

Conclusion

The SME IPO ecosystem represents an important opportunity for eligible Indian enterprises to participate in the country's expanding capital markets. When supported by sound financial management, credible disclosures and robust governance, an IPO can become a meaningful milestone in the institutional development of a business.
For Chartered Accountants, this evolving landscape offers an opportunity to contribute far beyond the preparation of financial statements. By acting as trusted professional advisers, strengthening financial discipline and promoting compliance-oriented business practices, they can help MSMEs prepare for the responsibilities of public ownership.
Ultimately, the success of an SME IPO should not be measured merely by the amount of capital raised or the market price achieved on listing. It should be measured by the enterprise's ability to deploy capital productively, protect stakeholder interests, maintain transparent governance and create sustainable long-term value.



GST UPDATES

CA. P. J. Johney
B.Sc. FCA

A. RECENT ADVANCE RULINGS UNDER GST

A 1

Statute: Goods and Services Tax
Decision in Favour of: Not Applicable
Title: M/s Balasaria Agencies Pvt. Ltd.
Citation: RAJ/AAR/2026-27/16/dated 19.08.2026

Bench/Court: Rajasthan Authority For Advance Ruling

M/s Pristine Technologies & Industries (unit of Balasaria Agencies Pvt. Ltd.) (hereinafter referred to as "The Applicant") are registered under the GST law vide GSTIN No. 08AACCB3334K2ZQ. The applicant is engaged in the business of manufacturing and supplying rubberised cork sheets, agglomerated cork sheets, rubberised cork frames and agglomerated cork strips used in sealing, gasketing, vibration control, thermal insulation and various industrial engineering applications.

The applicant procures the following raw materials:

- Cork Granules
- Polymer / Rubber
- Chemicals And Curatives
- Processing Oil
- Fillers

The manufacturing process undertaken by the applicant is summarized below:

Step 1- Procurement and inspection of raw materials
Step 2- Controlled mixing of cork granules with polymer/rubber and additives
Step 3- Homogenization of the mixture
Step 4- Pressing and moulding into sheet form
Step 5- Vulcanization and curing
Step 6- Cutting, finishing, inspection and packing

The composition of the finished product is approximately as under:

Particulars percentage

- Cork 30.99%
- Polymer 42.47%
- Chemicals & curatives 17.33%
- Processing oil 7.29%
- Fillers 1.91%

Total 100.00%

The finished product is commercially sold as:

a) Rubberised cork sheet; **or**
b) Agglomerated cork sheet

The product is specifically designed and manufactured for industrial sealing and insulation applications and is recognized in trade and commerce as a cork-based engineered product.

The applicant has sought advance ruling for the following questions:

Q1) Whether the product manufactured and supplied by the applicant, namely "Rubberised Cork Sheet" / "Agglomerated Cork Sheet", is correctly classifiable under tariff item 45041010?

Q2) Whether Rubberised Cork Sheet / Agglomerated Cork Sheet classifiable under tariff item 45041010 is covered under SR. No. 310 of schedule-I of Notification No. 09/2025-Central Tax (rate) dated 17.09.2025?

Q3) Whether GST at the rate of 5% (CGST @ 2.5% and SGST @ 2.5%) is applicable on the said product?

Q4) Whether the benefit of the said notification can be denied merely because outwards product is not natural cork or cork is not originates from the bark of the cork oak tree?

Q5) Whether the applicant is also eligible for refund under inverted duty structure benefit under section 54(3)(ii) of the RGST Act., 2017 which allows refund where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies?

The essential character of the applicant's product is derived from cork. Cork is primary functional ingredient responsible for:

- Compressibility
- Recovery characteristics
- Thermal insulation
- Vibration absorption
- Sealing performance

Polymer/rubber acts primarily as a binder and performance enhancer. The finished product is not marketed or recognized as a rubber sheet. It is marketed and sold as "Rubberised Cork Sheet" and "Agglomerated Cork Sheet". In commercial parlance also, the product is identified as a cork product. Therefore, applying the common parlance test, commercial identity test and essential character test, the product merits classification under heading 4504.

As per the discussion and findings, we have gone through the application filed in form GST ARA-01 along with the annexures thereto, the comments of the jurisdictional officer received vide letter no. 149 dated 28.07.2026 and the submissions made by the authorised representative at the time of personal hearing held on 30.07.2026. We now proceed to decide the questions on the basis of the material available on record.

The applicant, M/S Balasaria Agencies Pvt. Ltd., carrying on business in the trade name of M/S Pristine Technologies & Industries at Plot No. F-163 and 164, industrial area, Jhotwara extension second phase, Sarnadoongar, Jaipur, Rajasthan-302012, is registered under the GST Act bearing GSTIN 08AACCB3334K2ZQ. The applicant manufactures and supplies rubberised cork sheets, agglomerated cork sheets, rubberised cork frames and agglomerated cork strips, which are used in sealing, gasketing, vibration control, thermal insulation and allied industrial engineering applications. As per the process flow chart and the statement of facts placed on record, the applicant procures cork granules, polymer/rubber, chemicals and curatives, processing oil and fillers; the raw material is inspected and tested; it is then kneaded and mixed; the mixture is compression moulded into blocks; the blocks are sliced into sheets; the sheets are subjected to quality control and testing and are thereafter sized or punched into the finished sheets, frames and strips, physically inspected at the quality gate, packed and dispatched. The typical composition of the finished product, as declared in annexure-1 to the application, is cork 30.99%, polymer 42.47%, chemicals and curatives 17.33%, processing oil 7.29% and fillers 1.91%.

Question nos. 1 to 4 are related to the classification of the goods manufactured and supplied by the applicant, and to the applicability of notification no. 09/2025-Central Tax (rate) dated 17.09.2025. These questions fall squarely within clauses (a) and (b) of section 97(2) of the GST Act and are admitted. Question No. 5, however, stands on a different footing. It asks whether the applicant is eligible for refund of
accumulated input tax credit on account of the inverted duty structure in terms of clause (ii) of the first proviso to section 54(3) of the GST Act, sub-section (2) of section 97 sets out an exhaustive enumeration, in clauses (a) to (g), of the seven matters on which an advance ruling may be sought. The entitlement of a registered person to refund of unutilised input tax credit finds no place in that enumeration. Question No. 5 is accordingly not admitted and is rejected as being beyond the scope of section 97(2) of the GST Act.

We have also considered whether the bar contained in the first proviso to section 98(2) of the GST Act is attracted. That proviso mandates that the authority shall not admit the application where the question raised in the application is already pending or decided in any proceedings in the case of an applicant under any of the provisions of the act.

On merits, question nos. 1 to 4 raise, in substance, a single composite issue in three parts, namely,
(i) The appropriate classification of the applicant's products under the first schedule to the customs tariff act, 1975;
(ii) Whether goods so classified are covered by sl. No. 310 of schedule-i of notification no. 09/2025-central tax (rate) dated 17.09.2025 and the corresponding notification issued under the rgst act, 2017, so as to attract tax at the aggregate rate of 5%; and
(iii) Whether the benefit of that entry can be denied on the ground that the goods supplied are not natural cork.

We further deal with the issue whether the "binding substance" spoken of in heading 1504 can be rubber. We hold that it can. The heading uses the words "a binding substance" without any restriction. It does not say which binders are allowed, and it does not shut out any of them. Where the heading itself draws no line, we cannot draw one.

We also observe that the process flow chart placed on record shows that cork is received as incoming raw material; that it is kneaded and mixed with polymer, chemicals and curators, processing oil and filler; that the mix is compression moulded into blocks; and that the blocks are sliced into sheets which are then sized or punched into sheets, frames and strips. What is being agglomerated is the cork; what performs the office of holding the agglomerated cork granules together is the polymer system. We also consider it material that in the composition declared in annexure-I to the application, "fillers" appear as a separate ingredient category accounting for 1.91%. Therefore, cork is not employed as a filler in a rubber compound; it is the material which is agglomerated, and the polymer, the chemicals and curatives and the processing oil together constitute the binder system by which that agglomeration is affected.

In respect of question no. 4, namely, whether the benefit of the notification can be denied merely because the product supplied is not natural cork, or because the cork does not remain cork of the bark of the cork oak in its natural state, the answer must be in the negative, and it emerges from the structure of chapter 45 itself. The word "natural" appears in headings 4501, 4502 and 4503 - "natural cork, raw or simply prepared"; "natural cork, debacked or roughly squared"; "articles of natural cork". It is noticeably absent from heading 4504, which speaks of "agglomerated cork". Agglomerated cork is, by definition, cork which has been crushed, granulated or ground and thereafter reconstituted; it is not natural cork and cannot be natural cork.

We hold that rubberised cork sheets / agglomerated cork sheets manufactured and supplied by the applicant, being agglomerated cork with a binding substance and articles thereof, are classifiable under heading 4504 of the first schedule to the customs tariff act, 1975. As regards the appropriate eight-digit tariff item, we find that within heading

4504, sub-heading 4504 io covers blocks, plates, sheets and strip, tiles of any shape and solid cylinders including discs, and comprises tariff item 4504 10 10 ("sheets"), tariff item 4504 10 20 ("slabs") and tariff item 4504 io go ("other"); subheading 4504 90, comprising tariff item 4504 90 00, covers articles of agglomerated cork other than those of sub-heading 4504 10.

Turning to question nos. 2 and 3, notification no. 09/2025-Central Tax (rate) dated 17.09.2025 has been issued in exercise of the powers conferred by sub-section (1) of section 9 and sub-section (5) of section 15 of the CGST Act, 2017, in supersession of notification no. 01/2017-Central Tax (rate) dated 28.06.2017, and notifies the rate of central tax of 2.5% in respect of goods specified in schedule-I thereof. Sl. No. 310 of schedule-I specifies, in column (2), the heading "4504" and,in column (3), the description "agglomerated cork (with or without a binding substance) and articles of agglomerated cork". The goods of the applicant, being classifiable under heading 4504 as held above, are squarely covered by that entry, which is subject to no condition. Central tax is, therefore, leviable at 2.5%; and by virtue of the corresponding entry of the corresponding notification issued under sub-section (1) of section 9 of the GST Act, 2017, state tax is leviable at 2.5%, aggregating to 5%.

Personal hearing in the matter was granted to the applicant on 30.07.2026. Mr. Sanjeev Kumar Mishra (C.A..), authorized representative appeared for personal hearing. He reiterated the submission already made by them.

As per ruling:-

Q1) whether the product manufactured and supplied by the applicant, namely "rubberised cork sheet" / "agglomerated cork sheet", is correctly classifiable under tariff item 45041010?

Answer:-

Yes, the rubberised cork sheets / agglomerated cork sheets manufactured and supplied by the applicant is correctly classifiable under tariff item 45041010 as discussion and findings recorded at paras above.

Q2) Whether rubberised cork sheet / agglomerated cork sheet classifiable under tariff item 45041010 is covered under sr. No. 310 of schedule-I of notification no. 09/2025-central tax (rate) dated 17.09.20257?

Answer:-

Yes, the "agglomerated cork (with or without a binding substance) and articles of agglomerated cork" is covered under Sr. No. 310 of schedule-I of notification no. 09/2025-Central Tax (rate) dated 17.09.2025.

Q3) Whether GST at the rate of 5% (CGST @ 2.5% and SGST @ 2.5%) is applicable on the said product?

Answer:-

Yes, in respect of supplies made on or after 22.09.2025. In terms of the discussion and findings recorded at paras above.

Q4) Whether the benefit of the said notification can be denied merely because outwards product is not natural cork or cork is not originates from the bark of the cork oak tree?

Answer:-

No, the benefit of the said entry cannot be denied on that ground, as discussed in para 12 of the 'discussion & findings'.

Q5) Whether the applicant is also eligible for refund under inverted duty structure benefit under section 54(3)(ii) of the rgst act., 2017 which allows refund where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies?

Answer:-

Not admitted, being beyond the scope of section 97(2) of the GST Act as findings given in para 5 above.

A 2

Statute: Goods and Services Tax
Decision in Favour of: Not Applicable
Title: M/S BAS-J Industries
Citation: Advance Ruling No.53/ARA/ 2026, dated 18.08.2026
Bench/Court: Authority for Advance Ruling, Tamil Nadu

M/S BAS-J Industries, having place of business at Building No. 618/ 13/2, Vellanaipatty, Molapalayam, Coimbatore, Coimbatore, Tamil Nadu-641048 (hereinafter called as the "Applicant") has registered with GSTIN 33AAOFB3494PIZJ under the Goods and Services Tax Act. They have filed this application for advance ruling under Section 97 Of the CGST Act, 2017, and corresponding provisions under Section 97 Of TNGST Act, 2017. The Applicant has made a payment Of application fees Of Rs. 10,000/- under sub rule (1) of Rule 104 of CGST Rules, 2017 and TNGST Rules, 2017.

The applicants are manufacturers/ importer/ suppliers of all types of aquaculture aerator gear boxes and spares. Presently, aquaculture aerator gear boxes and spares fall under HSN 84834000, attracting GST rate. They submit that as per the recent announcement under GST 2.0 relief measures (Notification No. 9/2025- Central Tax (Rate) dated 17.09.2025). The GST rate for aquaculture aerators and their spare parts has been reduced to 5%; that no specific HSN code has been prescribed in the said notification for these aerator components.

The applicant supplies all types of aerator gear boxes and spares such as:

- A1 aerator worm gear box
- A2 aerator worm gear box
- A3 aerator spiral bevel gear box
- BBH 200 bevel long arm aerator gear box
- BH3 helical long arm aerator gear box
- Aerator gear box spares 13 teeth bevel pinion, 40 teeth bevel gear, SO teeth helical gear, 11 & 12 teeth helical pinion, A2 worm shaft. A2 worm wheel.
- Spare parts of the above equipment and machines separately

The applicant avers that these equipment and machines are used exclusively for aquaculture aerators rearing and maintaining growth of prawn and are not general-purpose machines.

The applicant puts forth the following legal interpretations to seek concessional rate of 5% GST on their products classifying them under HSN 8436 as equipment used in aquaculture facilitating food production including growing of prawn:-

That Sl. No. 434 of Schedule-I covers this machinery at 2.5% CGST (5% total GST) of the above said Notification No.9/2025 CT; that although the exact schedule wording is to be quoted from the notification, entries in Schedule-I for

agricultural and poultry-related equipment and machinery typically include:
"Equipment and Machinery used directly in aquaculture aerators rearing and maintaining growth of prawn".

That concessional rate extended to equipment facilitating food production, aquaculture aerator gear box is an essential component of primary food production, including growing of Prawn; that furthermore, the parts Of aquaculture aerator machinery are specifically designed and manufactured to be fitted and assembled exclusively within such machinery, and cannot be used in any other industrial equipment; that therefore aquaculture machineries and equipment, its parts clearly fall within the concessional GST category of 5% GST.

The applicant presumes that agricultural & poultry equipment have been kept at concessional GST rates to support:

- Food production
- Rural/ agro-based industries
- Essential sector inputs Thus, applying 5% GST aligns with policy intent

That certain competitors are charging lower GST rates on the above equipment, citing varied interpretations of the applicable classification. This inconsistency has 4 resulted in market distortion and loss Of customers and business for their firm, as purchasers naturally prefer suppliers offering Lower tax-inclusive prices.

The applicant has filed the present application for advance ruling seeking clarification on the following questions:
1) That the product classifiable under HSN 84368090 ("Other Agricultural Machinery' as per the First Schedule to the Customs Tariff Act, 1975 (made applicable to GST classification under Section 9 of the CGST Act read with Section S of the IGST Act), is covered under Entry No. 434 of Schedule-I of Notification No. 9/202S-Central Tax (Rate) dated 17.09.2025, and accordingly attracts GST at the rate of (2.5% CGST + 2.5% SGST)?

2) That the Spare parts, components, and accessories used in, or supplied for growing of prawns which are essential for, or form part of, the prawn farming aerator machinery falling under HSN 84368090 ("Other Agricultural Machinery") are also eligible to be at the same rate of 5% (2.5% CGST + 2.5% SGST) in terms of the principle that parts of goods are classified and taxed in accordance with the classification of the main equipment, unless specifically excluded, thereby falling under Enby No. 434 of Schedule-I of Notification No. 9/2025-Central Tax(Rate) dated 17.09.2025?

The applicant falls under the administrative control Of State. The concerned authorities of Centre and State were addressed to report if there are any pending proceedings against the applicant on issues by the applicant in the ARA application and for comments on the issues raised. Since no remarks have been received, it is presumed that there are no pending proceedings on the questions raised in their Advance Ruling Application.

We have carefully examined the submissions made by the applicant in their advance ruling application and the submissions made during the personal hearing. We have also considered the issue involved, the relevant facts and the applicant's submission / interpretation of law in respect of question on which the advance ruling is sought.

We gather from the facts presented that the applicant who has been hitherto supplying aerator gear boxes and their spare parts falling under HSN 84334000 attracting 18% GST proposes to reclassify the same under HSN 84368090 as other Agricultural machinery' thereby seeking coverage under Entry no.434 Of Schedule-I Of Notfn.No.09/202S-CT(Rate) dt. 17.09.2025 attracting concessional rate of 5% GST.

At this juncture we deem it fit to delve into the changed fiscal scenario arising out of GST 2.0 reforms aiming at simplification of tax slabs and ease of doing business. Through such reforms and restructuring, the government reduced multiple slab rates to two major rates 5% (lower rate) and 18% (standard rate) through issuance of Notfn. No.09/Q025-CT(Rate) dt.17.09.2025 effective from 22.09.2025. The lower rate category encompasses items critical for daily living such as essential food items, health care necessities, education materials, public transport and agricultural inputs (seeds, fertilisers and farm equipment). The standard rate of 18% applies to a majority of economic transactions like Consumer durables, professional/financial services, hospitality sector and manufactured goods (processed goods, textiles and industrial products). It is worthwhile to point out that One of the basic aims Of GST 2.0 reforms is to reduce classification complexity due to multiple rate structure.

Against this backdrop let us proceed to examine the applicant's queries on proposed reclassification of gear boxes and their spare parts purportedly used in aerators in aquaculture for prawn rearing. It be seen that the applicant has been classification of aerator gear boxes under HSN 84834000 attracting GST rate Of 18%. The subheading reads as under:

> 84834000 - Gears and gearing, other than toothed wheels, chain sprockets and Other & transmission elements presented separately; bait or roller screws; gear boxes and other speed changers, including torque converters.

It is the case of the applicant that the aerator gear boxes and their parts supplied by them parts of aquaculture aerator machinery specifically designed and manufactured to be fitted and assembled exclusively within such machinery and cannot be used in other industrial equipment. Interestingly, it is the premise of the applicant that entries in sl.no.434 of Schedule-I of the impugned notification comprising of poultry-related equipment/machinery typically include "Equipment and machinery used directly in aquaculture aerators rearing and maintaining growth of prawn".

On a plain reading of the aforesaid sl.no.434, it can be seen that it covers only machinery used for agricultural, horticultural, poultry keeping etc., and its parts falling under HSN 8436. The applicant is not a manufacturer/supplier of aerator machinery and supplies in aerator gear boxes and their spares only. In general parlance, gear boxes supplied by the applicant are Only mechanical devices used for speed/direction/torque control. It is the applicant's claim that such aerator gear boxes dealt by them are designed to be used only in aerator machinery which in turn is used in aquaculture (prawn rearing).

Going by the General Interpretative Rules for classification of goods, when there is a specific entor describing the goods, then that subheading would be the correct classification and the analysis stops there. In the case on hand, the applicant's goods are Gear boxes for which there is a specific entry under sub heading 84834000 and hence there is no scope to reclassify the same under heading 8436.

Taking up the second query of the applicant on spare the applicant has stated that they supply the following spares:

Aerator gear box spares 13 teeth bevel pinion, 40 teeth bevel gear, 50 teeth helical gear, 11 & 12 teeth helical pinion, A2 worm shaft A2 worm wheel.

It is further stated by the applicant that the aforesaid are being supplied at 18% GST rate under subheading 84834000 as spare parts of aerator gear boxes. The applicant seeks ruling on whether these spare parts items could be classified under subheading 84368090 in terms of the principle that parts of goods are classified and taxed in accordance with the classification of the main equipment, unless specifically excluded, thereby falling under Entry No. 434 of Schedule-I of the impugned Notification attracting 5% rate of GST.

The main product viz., aerator gear boxes supplied by the applicant has been held to not merit classification under subheading 8436 and would be rightly classified under HSN 84834000 attracting standard rate of 18% GST- Hence the parts listed above would also not merit classification under HSN 8436.

It is imperative to fix the correct classification for these spares of gear boxes when cleared separately or sold individually as replacement parts. The applicant is presently adopting HSN 84834000 for gear boxes and spares. However, it can be seen from the heading 84834000 extracted supra that it does not include 'toothed wheels, chain sprockets and Other transmission elements presented separately' and are distinctly listed in subheading 84339000 extracted below.

84839000 - Toothed wheels, Chain sprockets and other transmission elements presented separately; parts

Accordingly, the spares viz, aerator gear box spares 13 teeth bevel pinion, 40 teeth bevel 50 teeth helical gear, 11 & 12 teeth helical pinion, A2 worm shaft, A2 worm wheel being toothed wheels/ transmission elements when presented as standalone products, would merit to be classified under HSN 84839000 attracting CST rate of 18% and not under HSN 84834000 as being presently adopted by applicant or under HSN 84368090 as proposed by the applicant.

The applicant was given an opportunity to be heard in person on 21.07.2026. Shri. G. Santosh Kumar, Accounts Manager, appeared for personal hearing as the authorized representative (AR) of M/s. BAS-J INDUSTRIES, COIMBATORE. The AR reiterated the submissions made in their application for advance ruling stated that vide Notfn.No.09/2025-CT (Rate) dt.17.09.2025, the GST rate for aquaculture aerators and spare parts has been reduced to 5% which benefit should also be extended to Aquaculture Gear boxes (exclusively used in aquaculture aerators rearing and maintaining growth of prawn and are not general purpose machines)and spares falling under HSN 84834000 which attracts GST. Photographs of such gear boxes were submitted.

As Per Ruling:-

1. The product classifiable under HSN 84368090 ("Other Agricultural Machinery' as per the First Schedule to the Customs Tariff Act, 1975 (made applicable to GST classification under Section 9 of the CGST Act read with Section S of the IGST Act), is covered under Entry No. 434 of Schedule-I of Notification No. 9/202S-Central Tax (Rate) dated 17.09.2025, and accordingly attracts GST at the rate of (2.5% CGST + 2.5% SGST)?

Answer:-

The goods viz, aerator gear boxes supplied by the applicant do not merit classification under HSN 8436 to qualify for 5% rate of GST vide sl.no. 434 (Schedule-I) of the impugned notification and would attract GST rate of 18% under HSN 84834000.

2. That the Spare parts, components, and accessories used in, or supplied for growing of prawns which are essential for, or form part of, the prawn farming aerator machinery falling under HSN 84368090 ("Other Agricultural Machinery") are also eligible to be at the same rate of 5% (2.5% CGST + 2.5% SGST) in terms of the principle that parts of goods are classified and taxed in accordance with the classification of the main equipment, unless specifically excluded, thereby falling under Enby No. 434 of Schedule-I of Notification No. 9/2025-Central Tax(Rate) dated 17.09.2025?

Answer:-

The spare parts of the impugned goods as stated supra when supplied separately by the applicant do not merit classification under HSN 8436 to qualify for 5% rate of GST vide sl.no.434 (Schedule-I) of the impugned notification and would attract GST rate of 18% under HSN 84839000.

A 3

Statute: Goods and Services Tax
Decision in Favour of: Not Applicable
Title: M/S Muthur Town Panchayat
Citation: Advance Ruling No. 52/ARA/ 2026, dated 10.08.2026

Bench/Court: Authority for Advance Ruling, Tamil Nadu

Mis Muthur Town Panchayat, Tiruppur (hereinafter referred to as Applicant), having place Of business at Bunding no. 69, Muthur Town Panchayat,, Kangeyam Road, Muthur, Tiruppur, Tamil Nadu-638105 has registered with GSTIN 33AAEAM1458M2ZF under the Goods and Services Tax Act for rendering Leasing Business and Works Contract. They have filed this application for advarrce ruling under Section 97 of the CGST Act, 2017, and corresponding provisions under the Section 97 of TNGST Act, 2017. The Applicant has made a payment Of application fees of RS.IO,OOO/- under sub rule (1) of Rule 104 of CGST Rifles, 2017 and 'ING-ST Rules, 2017.

The applicant submits that one Of their activities is that they have given the right to collect entry fee Of weekly market to the tender contractor. Based on the tender they will collect the tender amount from the contractor for right to collect fee for entry and sell vegetables/fruits/domestic animals/ birds etc., for vendors/farmers/public in the open space/temporary tents On the days fixed for weekly market days. The tender contracts are for three years as per the tender notice for the purpose Of collection of entrance fee. The details are

- Activity provider is the Town Panchayat.
- Activity availed is the tender contractor who succeeded in the tender process
- Activity is right to use the collection of entrance fee in the weekly market as per the prescribed conditions of tender.
- Consideration is the amount determined and confirmed in the tender process (one of the main conditions is the entrance fee collection from the public/onion merchants/farmers should be as per the amount prescribed by the town Panchayat and receipt to the users will be issued in the of the Corporation by the tender contractors.

The applicant has filed the present application for advance ruling seeking clarification On the following questions:

1) Whether the activity of leasing of weekly market to the tender contractors for the purpose of collection Of fee on the week market days basis from the merchants/ farmers/public for usage of the open space for selling Of fruits/ vegetables/ domestic animals/birds etc., is an activity covered under the function entrusted to Panchayat under the (Eleventh Schedule under Article 243G as a local authority in which they are engaged as Public Authority?

2) If so the above activity shall not be treated as a supply of service and in that case the same is covered as an activity which is not a service as per Central tax Notification No 14/2017 Rate dated 28.06.2017 as amended as well as under State tax Tamil Nadu GO (Ms.) No.75 dated 29.069017-GST as amended and as a result Central tax and State tax are not chargeable for the said activity?

We have carefully examined the submissions made by the applicant in their advance ruling application and the submissions made during personal hearing. We have also considered the issue involved, the relevant facts and the applicant's submission / interpretation of law in respect of questions on which the advance ruling is sought.

We find that the query is liable for admission as it gets covered under Section 97 (2) (b) & (g) of CGST/TNGST Act, 2017 extracted below:

(a) Applicability of a notification issued under the provisions of this Act

(b) Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.

It is gathered from the facts presented by e applicant that the applicant is a Town Panchayat, entrusted with the functions and responsibilities as enlisted in Art. 243G of the Constitution. One of the activities undertaken by the applicant is collection Of weekly market fees for usage of open space for selling fruits/vegetables/domestic animals /birds etc., by the merchants/farmers/public by way Of leasing Of right to collect such fees to tender contractors. A copy of the Order No.745/2024 dt.28.03.2025 issued to tender contractor Shri. C. Govindasamy, Muthur has been submitted by the applicant. The agreed consideration to be paid to the applicant by the tender contractor for collection of said entrance fees is Rs.41 lakhs for the period 01.04.2025 to 31.03.2026. The conditions stipulated therein interalia includes, collection of fees only as fixed by the applicant, issuance of receipts by the tender contractor to public under the seal of the applicant, to maintain cleanliness in and around the weekly market space etc.

The applicant has sought ruling as to whether their impugned activities would get coverage under Of the CGST Act, 2017 to be treated as neither supply of goods nor supply of services. The said Section is extracted below:

Not with standing anything contained in sub-section (1)

(a) activities or transactions specified in Schedule III : or

(b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, be treated neither as a supply of goods nor a supply of services.

Sl.no.4 of Not-fn. No. 14/2017-CT(Rate) dt.28.06.2017 issued under the aforesaid Section, reads as under:

G.S.R.....(E).- In exercise of the powers conferred by sub-section (2) Of section 7 of the Central Goods and Services Tax Act, 2017 (12 Of 2017), the Central Government, on the recommendations Of the Council hereby notifies that the following activities or transactions undertaken by the Central Government or State Government or any local authority in which they are engaged as public authority, Shal! Be treated neither as a supply of goods nor a supply Of service, namely:-

"Services by Way Of any activity in relation to a function entrusted to a Panchayat under article 24SG of the Constitution**"**

Against the aforesaid legal backdrop, it is trite law that Such activities undertaken by local authority in which they are engaged as public authority comprising Of services in relation to a function entrusted to a Panchayat under Art.243G Of the Constitution, will be treated as neither supply of services nor supply of goods.

On examination of the applicant's facts, we see that the applicant is a Town Panchayat who is a local authority as defined under Sec.2(69) Of the CGST Act, 2017. The impugned activity comprises of leasing the right to collect fees for usage of Open space for selling fruits/ vegetables/domestic animals / birds etc., by the merchants/farmers/public on week market days basis, to the tender contractors. The aforesaid activities are directly in relation to mandatory functions of panchayat enlisted in Sl.no.22 of Art.243G of the Constitution as 22. Markets and Fairs.

The applicant was given an opportunity to be heard in person on 21.07.2026. Shri. K. Sankaranarayanan, Advocate, appeared for personal hearing as the authorized representative (AR) of M / s. Muthur Town Panchayat, Tirupur. The AR reiterated the submissions made in their application for advance ruling and submitted copies of relevant notification/ legal provisions and earlier favorable Ruling by the TN AAR in the case of Kannivadi Tovm panchayat. Further, he stated the applicant's activities are specifically covered under of CGST Act, 2017 (treated as neither supply of goods nor supply of services) and Notification No. 14/2017-CT(Rate) is superfluous.

As Per Ruling:-

a) Whether the activity of leasing of weekly market to the tender contractors for the purpose of collection Of fee on the week market days basis from the merchants/ farmers/public for usage of the open space for selling Of fruits/ vegetables/ domestic animals/birds etc., is an activity covered under the function entrusted to Panchayat under the (Eleventh Schedule under Article 243G as a local authority in which they are engaged as Public Authority?

Answer:-

The activity of the applicant involving leasing of weekly market to the tender contractors for the purpose Of collection of fees on week market days basis from the merchants/farmers/public for usage of open space for selling of fruits/ vegetables/ domestic animals/ birds etc., is an activity covered under the functions entrusted to a Panchayat under the (Eleventh Schedule) under Article 2430 as a local authority in which they are engaged as public authority.

b) If so the above activity shall not be treated as a supply of service and in that case the same is covered as an activity which is not a service as per Central tax Notification No 14/2017 Rate dated 28.06.2017 as amended as well as under State tax Tamil Nadu GO (Ms.) No.75 dated 29.069017-GST as amended and as a result Central tax and State tax are not chargeable for the said activity?

Answer:-

Notification NO 14/2017 Rate, dated 28.06.2017 as amended issued in terms of Sec. 7(2)(b) of the CGST Act, 2017 is available to the applicant to claim since the aforesaid activity is 'net-her supply of services nor supply of goods'.

B. JUDICIAL DECISIONS ON INDIRECT TAXES

B 1

Statute: Services Tax
Decision in Favour of: Appellant
Title: S.M. AUTOKRAFT Pvt. Ltd versus Commissioner of CGST AND Central Excise, Guwahati

((R. Muralidhar, Members (Judicial) and Rajeev Tandon, Member (Technical))
Citation: (2026) 159 GSTR 324: 2026 SCC online CESTAT 1639
Bench/Court: In the Customs Excise and Service Tax Appellate Tribunal

A. Service Tax - Business Auxiliary Service - Authorised Dealer Of Vehicle Manufacturers - Operating On Principal-To-Principal Basis - Profit Margin On Sale Of Vehicles Not "Commission" - Discounts And Incentives Received From Manufacturer - Constitute Trade Discount On Sale Price - Not Consideration For Any Service - Demand Unsustainable - - Finance Act (32 Of 1994), S. 65(105)(Zzb).

B. Service Tax - Limitation - Assessee Duly Registered - Filing St-3 Returns Regularly - Income-Tax Returns And Balance Sheets Duly Filed - No Evidence Of Suppression Or Concealment - Invocation Of Extended Period Unwarranted - Second Show-Cause Notice Issued On Same Set Of Facts Already In Knowledge Of Department - Allegation Of Suppression Unsustainable - Finance Act (32 Of 1994), S. 73.

B 2

Statute: Services Tax
Decision in Favour of: Appellant
Title: Relx India Private Limited Versus Commissioner Of GST & Central Excise, Chennai Outer Commissionerate, Chennai.

(Vasa Seshagiri Rao, Member (Technical))
Citation: (2026) 156 GSTR 1: 2026 SCC online CESTAT 467
Bench/Court: In The Customs Excise And Service Tax Appellate Tribunal

A. Service Tax - Refund - Export Of Services - Receipt In Indian Rupees -Consideration Received In India From Overseas Customers Through Authorised Banking Channels Via Freely Convertible Vostro Account Of Non-Resident Bank - Condition Under Rule 3(2)(B) of Export of Services Rules, 2005 Satisfied - Refund Admissible Management Act (42 Of 1999), S. 2(N) - Central Excise Act (1 Of 1944), S. 11b.

B. Service Tax - Refund - Export Of Services - Centralized Accounting - Foreign Inward Remittance Certificates Addressed To Delhi Head Office - Export Proceeds Credited To Delhi Bank Account Under Centralized Accounting System - Foreign Inward Remittance Certificates Though Addressed In Name Of Delhi Entity Certify That Remittance Pertains To Chennai Operations - Rule 3(2)(B) Of Export Of Services Rules, 2005 Requires Receipt In Convertible Foreign Exchange, Not In Account Of Service-Providing Unit - Refund Not Deniable On Ground Of Credit To Centralized Account - Export Of Services Rules, 2005, R. 3(2)(B) Cenvat Credit Rules, 2004, R. 5.

B 3

Statute: Services Tax
Decision in Favour of: Appellant
Title: Braithwaite Burn & Jessop Construction Company(Formerly Known as Bharat Bhari Udyog Nigam Limited) Versus Commissioner Of Service Tax-II, Kolkata.

(Before R. Muralidhar, Member (Judicial) & Rajeev Tandon, Member (Technical))
Citation: (2026) 158 GSTR 633: 2026 SCC online CESTAT 1473
Bench/Court:In the Customs Excise and Service Tax Appellate Tribunal

A. Service Tax - Works Contract Service - Commercial Or Industrial Construction Service - Civil And Structural Works For BHEL - Agreement Requiring Supply Of Materials - Works Contract Tax Deducted By Client -Service Classifiable As Works Contract - Demand Under Commercial Or Industrial Construction Service – Unsustainable - Finance Act

(32 Of 1994), S. 65(105)(Zzzza).

B. Service Tax - Consulting Engineer Service - Construction Services For University - Demand Quantified On Full Project Cost Plus Agency Charges - Service Tax Demandable Only On 8.5 Per Cent. Agency Commission - Demand On Full Project Cost Erroneous - Re-Quantification Directed - Finance Act (32 Of 1994), S. 65(105)(Zzb).

C. Service Tax - Limitation - -Public Sector Undertaking - Public Sector Undertaking Cannot Be Charged With Suppression Or Intent To Evade -Finance Act (32 Of 1994), S. 73(1). Invocation Of Extended Period Unsustainable.

D. Service Tax - Cenvat Credit - Disallowance On Ground Of Non-Disclosure In Returns - Credit Cannot Be Denied Where Assessee Possesses Supporting Invoices - Remand For Verification Of Invoices Directed - Cenvat Credit Rules, 2004.

E. Service Tax - Cenvat Credit - Services To CLW And SAIL - Balance Liability And Cenvat Credit Payments To Be Verified By Adjudicating Authority - Remand Directed - Finance Act (32 Of 1994).

B 4

Statute: Services Tax
Decision in Favour of: Appellant
Title: Debabrata Bhowmick Versus Union Of India & Others.
(Manish Choudhury, J.)

Citation: (2026) 161 GSTR 234: 2026 SCC online Gau 4802
Bench/Court: In The High Court Of Gauhati

GST - Appeal - Limitation - Appeal To Appellate Authority To Be Filed Within Three Months - Appellate Authority Empowered To Condone Delay Only Up To One Further Month - Section 5 Of Limitation Act Excluded Beyond Prescribed Outer Limit By Virtue Of Section 29(2) - Section 14 Of Limitation Act - Exclusion Of Time Spent In Bona Fide Prosecution Of Prior Proceedings Before Wrong Forum - Principle Applicable To Quasi-Judicial Tribunals - Due Diligence And Good Faith Both Essential - Both Conditions Must Be Satisfied - Rectification Application Under Section 161 Filed Within Three Months - Prior Proceeding Bona Fide And With Due Diligence - Forty-Eight Days Excluded From Limitation Period - Appeal Found Within Extended Period - Writ Petition Entertainable Within Section 112 Limitation Window - Appellate Authority Obligated To Afford Opportunity To Explain Delay - Order-In-Appeal Set Aside Matter Remanded Central Goods And Services Tax Act (12 Of 2017), Ss. 107, 112, 161 - Limitation Act (36 Of 1963), Ss. 5, 14, 29(2) - Constitution Of India, Art. 226.

B 5

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: New Kailash Suppliers Versus State Of Gujarat And Others.
(A.S. Supehia And Pranav Trivedi, JJ.)

Citation: (2026) 162 GSTR 180: 2026 SCC online Guj 3958
Bench/Court: In The High Court Of Gujarat

GST – Appeal – Limitation – Assessment – Rectification - Rejection Of Rectification Application - Limitation For Filing Appeal Against Assessment Order Commences From Date Of Rejection Of Rectification Application - Appellate Authority Failing To Examine Form GST APL-01 - Appeal Rejected On Ground Of Delay - Order Set Aside - Matter Remanded - Central Goods And Services Tax Act (12 Of 2017), Ss. 107, 161.

B 6

Statute: Services Tax
Decision in Favour of: Appellant
Title: Nirmal Kumar Sharma Versus Union Of India & Others.
(Soumitra Saikia, J.)

Citation: (2026) 156 GSTR 256: 2026 SCC online Gau 2817
Bench/Court:In The High Court Of Gauhati

Service Tax - Assessment - Levy Of Tax - Limitation - Demand Based On Form 26AS - Tax Liability Cannot Be Imposed On Inference Or Analogy -Reverse Charge Mechanism - Services Provided To Public Sector Undertakings - Service Tax Liability On Service Recipient - Extended Period Of Limitation - Invocation Without Finding Of Fraud Or Suppression - Demand Set Aside Finance Act (32 Of 1994), Ss. 73, 75, 78.

B 7

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: Sona Enterprises Versus Assistant Commissioner Of Central Tax, Central CGST Division,Vishakapatnam & Others
(R. Raghunandan Rao And T.C.D. Sekhar, JJ.)

Citation: (2026) 154 GSTR 568: 2026 SCC online AP 480
Bench/Court: In The High Court Of Andhra Pradesh

GST - Recovery Of Tax - Interest - Reverse Charge Mechanism - Input-Tax Credit - Coercive Recovery Without Adjudication - Section 75(12) Permitting Recovery Only Where Tax Liability Clearly Disclosed In Returns Filed And Such Liability Remains Unpaid - Wrong Utilisation Of Input-Tax Credit Requiring Adjudicatory Proceedings - Coercive Recovery Without Adjudication Impermissible - Recovery Process Set Aside With Direction To Refund Interest Payments - Central Goods And Services Tax Act (12 Of 2017), Ss. 39, 73, 74, 75(12), 79(1)(C).

B 8

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: Nijumoni Gogoi Versus Union Of India & Others
(Manish Choudhury, J.)

Citation: (2026) 161 GSTR 378: 2026 SCC online Gau 3711: (2026) 109 GSTL 296
Bench/Court: In the High Court of Gauhati

A. GST - Registration - Cancellation - Show-Cause Notice - Non-Speaking Order - Natural Justice - Order Of Cancellation Of Registration Deficient Of Reasons For Cancellation - Held Failure To Reply To Show-Cause Notice Not To Absolve Officer Of Obligation To Pass Speaking Order - Order Of Cancellation Quashed - Central Goods And Services Tax Act (12 Of 2017), S. 29(2)(C) - Central Goods And Services Tax Rules, 2017, R. 22.

B. GST – Registration - Cancellation - Writs Under Constitution - Order Cancelling Registration Without Recording Reasons - Statutory Breach - Delay In Filing Writ Petition - Statutory Illegality Outweighing Delay Considering Adverse Consequences To Registered Person - Order Liable To Be Set Aside.

B 9

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: Arnab Kumar Versus State Of Assam & Others.
(Soumitra Saikia, J.)

Citation: (2026) 155 GSTR 346: 2026 SCC online Gau 1981
Bench/Court: In the High Court of Gauhati

GST - Show-cause notice - Summary of show-cause notice - Proper show-cause notice mandatory - Statement of determination of tax cannot substitute show-cause notice - Distinction between show-cause notice and statement - Digital signature or e-signature mandatory - Unsigned attachments without authentication by proper officer invalid - Request for personal hearing - Denial of personal hearing when no reply filed - Adverse decision contemplated - Violation of principles of natural justice - Impugned order set aside - Liberty to initiate de novo proceedings - Exclusion of time for limitation - Central Goods and Services Tax Act (12 of 2017), ss. 2(91), 73(1), (2), (3), (9), (10), 75(4) - Assam Goods and Services Tax Act (28 of 2017), ss. 2(91), 73(1), (2), (3), (9), (10), 75(4) - Central Goods and Services - Tax Rules, 2017, rr. 26(3), 142(1) (a), (b).

B 10

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: MD Shoriful Islam Versus State of Assam & Others
(Soumitra Saikia, J.)

Citation: (2026) 156 GSTR 223: 2026 SCC online Gau 884: (2026) 107 GSTL 146
Bench/Court: In the High Court of Gauhati

GST – Assessment - Show-cause notice - Authentication - Digital signature - Natural justice - Summary of show-cause notice in Form GST DRC-01 not substitute for proper show-cause notice - Statement of determination of tax under section 73(3) different from show-cause notice under section 73(1) - Show-cause notice, statement and order required to be authenticated by proper officer through digital signature - Rule 26(3) applicable to all notices and orders - No opportunity of hearing granted despite request - Violation of section 75(4) - Order set aside with liberty to initiate fresh proceedings - Central Goods and Services Tax Act (12 of 2017), ss. 2(91), 73, 75 - Central Goods and Services Tax Rules, 2017, rr. 26, 142.

B 11

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: Mahesh Value Products Pvt. Ltd. Versus Chief Commissioner Of Ct & GST & Others.

(Mruganka Sekhar Sahoo And Murahari Sri Raman, JJ.)
Citation: (2026) 162 GSTR 161: 2026 SCC online Ori 4632
Bench/Court: In the High Court of Orissa

GST – Appeal – Limitation - Writs Under Constitution - Alternative Remedy - Computation Of Limitation Period For Filing Appeal - Date Of Communication Of Order To Be Excluded "Month" Meaning Calendar Month And Not Thirty Days -First Day Excluded Under General Clauses Act - Delay Wrongly Computed As Thirty-One Days Instead Of Twenty-Nine - Error Apparent On Face Of Record -Natural Justice - Reply To Show-Cause Notice Not Considered - Explanation For Delay Ignored - Denial Of Fair Opportunity - Alternative Remedy Not A Bar To Writ Jurisdiction - Order Rejecting Appeal Set Aside - Matter Remanded For Fresh Decision - Central Goods And Services Tax Act (12 Of 2017), S. 107 - Odisha Goods And Services Tax Act (7 Of 2017), S. 107 - General Clauses Act (10 Of 1897), Ss. 3(35), 9.

B 12

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: Sahil Enterprises Versus Union of India & Others.
(M.S. Ramachandra Rao, C.J. and S. Datta Purkayastha, J.)
Citation: (2026) 154 GSTR 108: 2026 SCC online Tri 4: (2026) 105 GSTL 177
Bench/Court: In the High Court of Tripura

GST - Legislative Powers - Input-Tax Credit - Constitutional Validity Of Provision Governing Claim Of - Demand Raised Against Bona Fide Purchaser When Tax Not Deposited By Seller In Treasury - Held: Penalising Purchaser Not Justified When No Mechanism For It To Verify If Tax Paid By It Deposited By Seller - Constitutional Validity Upheld Albeit Provision To Be Applied Only In Fraudulent Or Collusive Transactions Made By Purchaser And Not Of Bona Fide Purchaser - Input-Tax Credit Being Conceptualised To Avoid Double Taxation, Purchaser Not To Be Taxed Second Time By Denying Its Input-Tax Credit - Judgements Passed By Apex Court On Same Concept Overlooked By High Courts Earlier Now Followed - Input-Tax Credit Allowed There Being No Collusion - Central Goods And Services Tax Act (12 Of 2017), Ss. 16(2)(C) - Constitution Of India, Arts. 14, 19, 265, 300A.

B 13

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: Shivam Electric Corporation Versus Union of India & Others.
(Vivek Singh Thakur & Romesh Verm JJ.)

Citation: (2026) 158 GSTR 90: 2026 SCC online HP 176: (2026) 106 GSTL 188
Bench/Court: In the High Court of Himachal Pradesh

GST - Return - Manual Filing - Error In Claiming Input-Tax Credit - Error Noticed While Filing Annual Return - Rectification Done But Discrepancy Prevailed In Departmental Record - Demand Raised - Held: Assessee Permitted To File Annual Return Manually There Being No Mechanism Under Provision To Rectify Record - Demand Order To Remain Intact Till Further Orders, If Any - Central Goods And Services Tax Act (12 Of 2017), S. 16.

B 14

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: Dug Rade Versus Union of India & Others.
(Robin Phukan, J.)
Citation: (2026) 160 GSTR 735: 2026 SCC online Gau 4016
Bench/Court: In the High Court of Gauhati

GST - Registration - Cancellation - Non-filing of returns - Loss of login credentials preventing filing - All pending returns filed upon retrieval of credentials - Penalty deposited - Department not objecting to similar relief - Direction to assessee to apply for restoration - Authority directed to verify and restore registration - Central Goods and Services Tax Act (12 of 2017), S. 29 - Central Goods and Services Tax Rules, 2017, R. 22.

B 15

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: Jubilee Engineers Versus Deputy Commissioner & another
(A.S. Supehia And Pranav Trivedi, JJ.)
Citation: (2026) 157 GSTR 606: 2026 SCC online Guj 2978
Bench/Court: In the High Court of Gujarat

GST - Supply Of Service - Assignment Of Leasehold Rights Of Plot Of Land -Immovable Property - Gujarat Industrial Development Corporation Allotted Land On 99 Year Lease To Assessee - Assessee Assigned And Transferred Leasehold Right To Third Party Through Deed Of Assignment - Show-Cause Notice Issued Demanding Goods And Services Tax On Transfer Of Leasehold Rights Treating Execution Of Deed And Subsequent Lease As Taxable Supply Of Service - Assignment By Sale And Transfer Of Leasehold Rights Of Plot Of Land Allotted By Gujarat Industrial Development Corporation To Lessee In Favour Of Third Party Assignee For Consideration Is Assignment Or Sale Or Transfer Of Benefits Arising Out Of Immovable Property By Lessee Assignor - Section 7(1)(A) Providing For Scope Of Supply Read With Clause 5(B) Of Schedule II And Clause 5 Of Schedule III Not Applicable To Such Transaction Of Assignment Of Leasehold Rights - Transaction Not Subject To Levy Of Goods And Services Tax - Show-Cause Notice Quashed - Central Goods And Services Tax Act (12 Of 2017), Ss. 7, 9; Sch. II, Cl. 5(B), Sch. III, Cl. 5.

B 16

Statute: Services Tax
Decision in Favour of: Appellant
Title: Saryug Gautam Construction Pvt Ltd Versus Commissioner, CGST & Ce Commissionerate & Others
(Harish Tandon, C.J. And Murahari Sri Raman, J.)
Citation: (2026) 159 GSTR 639: 2026 SCC online Ori 1219
Bench/Court: In the High Court of Orissa

A. Service Tax - Assessment - Determination Of Tax Liability - Demand Raised Based Solely On Data Received From Central Board Of Direct Taxes Regarding Consideration Disclosed In Income-Tax Returns And Deduction Of Tax At Source - Adjudicating Authority Not Making Any Independent Inquiry As To Whether Amounts Treated As Consideration Related To Any Work Executed Within State - Assessee Contending That No Work Was Executed In State Of Odisha Prior To Introduction Of Goods And Services Tax On July 1, 2017 - Finding Of Fact Recorded By Adjudicating Authority Held To Be Perverse - Finance Act (32 Of 1994), Ss. 73, 75.

B. Service Tax - Writs Under Constitution - Alternative Remedy - Natural Justice - Inadequate Opportunity To Present Case - One Show-Cause Notice Not Served On Assessee - Subsequent Orders By Principal Commissioner At Ranchi Dropping Demand For 2015-2016 On Ground Of Double Taxation And Tribunal Setting Aside Demand For 2016-2017 To June 2017 On Ground Of Limitation Having Come Into Existence After Impugned Order-In-Original - Assessee Had No Occasion To Cite These Orders Or Claim Mega Exemption Notification Before Adjudicating Authority - Writ Petition Entertained Despite Availability Of Alternative Remedy To Grant One Opportunity To Petitioner - Order-In-Original And Rectification Order Set Aside With Direction To Pass Fresh Order - Constitution Of India, Art. 226 - Finance Act (32 Of 1994), Ss. 73, 74, 75.

C. Service Tax - Assessment - Natural Justice - Reasonable Opportunity Of Being Heard - Assessment Order To Be Passed Only After Affording Assessee Reasonable Opportunity To Present Its Case - Availability Of Opportunity To Produce Evidence Before First Appellate Authority Or Tribunal Immaterial - Validity Of Assessment Must Be Tested On Basis Of Assessment Order Itself - Assessment Order Liable To Be Set Aside And Matter Remanded For Fresh Adjudication After Granting Assessee Adequate Opportunity Of Being Heard - -Finance Act (32 Of 1994), Ss. 73,75.

B 17

Statute: Goods & Services Tax
Decision in Favour of: Appellant
Title: Sanjaiso Halai Versus Union of India & Others.
(Anjan Moni Kalita, J.)
Citation: (2026) 160 GSTR 712: 2026 SCC online Gau 6275
Bench/Court: In the High Court of Gauhati

GST - Registration - Cancellation - Non-Filing Of Returns For Continues Period Of Six Months - Assessee Paying Tax Dues With Interest - Pending Returns Filed - Representation For -Restoration Not Considered - Proviso To Rule 22(4) - Co-Ordinate Bench Decision Followed Direction To Restore Registration - Central Goods And Services Tax Act (12 Of 2017), S. 29 Central Goods And Services Tax Rules, 2017, R. 22.

GST on Dealers in Used Cars: Margin Scheme versus Commission Model



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Introduction

The organised used-car market has grown into a significant business segment, and dealers typically operate in one of two ways: they either buy cars outright and resell them, or they park customers' cars at their showroom and earn a commission when the car is sold. Both models involve the same physical goods but attract very different GST treatment. In the first, tax is payable on the dealer's margin under Rule 32(5) of the CGST Rules, 2017; in the second, tax is payable on the commission, which is a service. This article trying to examines the legal basis, rate, valuation, input tax credit, compliance and litigation risks under each model

A used car has already suffered tax, either as a new vehicle or on a previous supply by a registered person, when it enters the dealer's hands. Levying GST on the full sale price at every resale would tax the same value repeatedly. The margin scheme under GST addresses this by taxing only the value added by the dealer. At the same time, many dealers, particularly smaller ones, do not take ownership of the vehicle at all and function as selling agents. The tax consequences of choosing between these two structures are substantial, and the choice is often made for commercial rather than tax reasons.

The two business models

- Model A – Buy and sell. The dealer purchases the car (usually from an individual, sometimes from a company or another dealer), takes title, may carry out reconditioning, and sells it in his own name. He bears the inventory and price risk. His profit is the difference between sale and purchase price.
- Model B – Park and sell. The owner leaves the car at the dealer's yard. The dealer markets it, arranges inspection and test drives, assists with documentation and transfer, and on sale earns a commission. Title remains with the owner until the sale.

Model A: Buy and sell – the margin scheme

1. Legal framework

Section 15 of the CGST Act, 2017 ordinarily fixes the value of supply at the transaction value. Rule 32(5) of the CGST Rules provides a special method of valuation for a person dealing in buying and selling of second-hand goods. Where the dealer supplies the goods as such, or after minor processing that does not change their nature, and has not availed input tax credit on the purchase, the value of supply is the difference between the selling price and the purchase price. Where this difference is negative, it is ignored, and no tax is payable on that sale.

The rate is prescribed by Notification No. 8/2018-Central Tax (Rate), as amended by Notification No. 4/2025-Central Tax (Rate) with effect from 16 January 2025. Supply of old and used motor vehicles by registered persons now attracts a uniform rate of 18% (9% CGST + 9% SGST, or 18% IGST) on the margin. Before that date, small cars (petrol up to 1200 cc and diesel up to 1500 cc, each with length up to 4000 mm) were taxed at 12%, while larger cars and SUVs were taxed at 18%.

2. Conditions for availing the scheme

- The supplier must be a registered person dealing in buying and selling of second-hand goods.
- No input tax credit may have been availed on the purchase of the car. The restriction applies to the car itself, not to other inputs such as rent, utilities or services used in the business.
- The goods are sold as such or after minor processing that does not change their nature, such as cleaning, minor repairs and polishing.

3. Purchase from unregistered persons

Cars are generally bought from private individuals who are not registered under GST. Reverse charge under section 9(4) is not triggered on such purchases because Notification No. 10/2017-Central Tax (Rate) exempts intra-State supplies of second-hand goods received by a registered person dealing in buying and selling of such goods, from an unregistered supplier, provided the dealer pays tax on the margin under Rule 32(5). The dealer should maintain a purchase voucher or agreement and the transfer documentation to establish the purchase price.

4. Reconditioning costs

A frequent doubt is whether the cost of repairs and refurbishment may be deducted in arriving at the margin. The text of Rule 32(5) refers only to the selling price and the purchase price. The prudent view is that reconditioning cost is not deductible, and it stays within the margin. Some commentators take a more generous view that minor repair costs may be added to the purchase price. The dealer may, in any case, claim credit of GST paid on repair services, spare parts and labour, as these are not purchases of the second-hand goods themselves, although this should be examined with the conditions of Rule 32(5) in mind.

5. Illustration

A dealer buys a used car from an individual for ₹5,00,000,

spends ₹40,000 on reconditioning and sells the car to a customer for ₹6,20,000.

Particulars	Margin scheme (₹)	Full-value GST (₹)
Sale price	6,20,000	6,20,000
Less: purchase price	(5,00,000)	–
Value of supply	1,20,000	6,20,000
GST at 18%	21,600	1,11,600
CGST / SGST (9% each)	10,800 each	55,800 each

If the same car had been sold at ₹4,80,000, the margin would be negative (₹20,000) and no GST would arise on the sale. The loss cannot be carried forward or set off against the margin on other cars; the scheme is applied car by car.

Model B: Park and sell – the commission model

1. Nature of the supply

Under this model the dealer does not purchase the car. The supply of the car is made by the owner to the buyer, and the dealer supplies a service to the owner, namely intermediary or commission agent service for selling the car. The dealer's own supply is the service, and its consideration is the commission. Where the owner is an individual who is not registered and the sale is not in the course or furtherance of business, the sale of the car by the owner is not a supply under section 7 and attracts no GST. The dealer pays GST at 18% on the commission only.

2. Illustration

The owner parks a car with the dealer, who sells it for ₹5,00,000 and charges 3% commission.

Particulars	Amount (₹)
Sale value of car (owner's supply, outside GST)	5,00,000
Commission at 3% (dealer's value of supply)	15,000
GST at 18% on commission	2,700
Total commission billed to owner	17,700

The GST cost here is far lower than in the margin illustration, but the two figures are not comparable on their own. The dealer's income is also different: a commission of ₹15,000 against a margin of ₹1,20,000 on a comparable car. The right comparison is the tax as a proportion of the dealer's gross income, which is 18% in both models.

3. Other points under Model B

- Registration. A dealer providing only commission services must register if aggregate turnover exceeds the threshold under section 22. Turnover for this purpose includes the commission and not the value of cars sold as an agent.
- Place of supply. For service to an individual owner, the place of supply is generally the location of the recipient under section 12(2), so CGST and SGST apply where the owner and dealer are in the same State.
- Reimbursements. Amounts such as RTO fees, inspection charges or insurance transfer fees recovered from the owner need to be examined; unless the dealer acts as a pure agent under Rule 33, they form part of the value of supply.
- Registered owners. If the owner is a registered person selling the car in the course of business or as an asset, the owner's own supply is taxable (for assets, in line with the depreciation-based margin rules) and it is the owner who must issue the invoice or the dealer, if acting as an agent, in the owner's name. In that case the dealer must also consider section 2(5) and Schedule I, entry 3 on agent-principal supplies.

Litigation risks and re-characterisation

Because the tax outcomes are so different, the department can be expected to examine whether the stated model reflects the real arrangement. Some areas of concern are listed below.

- Park and sell, but the dealer fixes the price and retains the excess. If the owner is promised a fixed amount and the dealer keeps whatever the car sells for above that, the dealer is in substance buying and selling. The excess is the dealer's margin, and the department may argue it is taxable under Rule 32(5) or even at full value, if the conditions of the scheme are not met.
- Buy and sell, but the dealer never takes title. If the registration certificate is transferred directly from the original owner to the end buyer and the dealer only invoices a margin, the dealer's real role is that of an intermediary. The consequence can be tax on the margin as a service rather than as goods, with different implications for rate, place of supply and the exemption on unregistered purchases.
- Non-compliance with Rule 32(5). If the dealer has availed credit on the purchase of the car, or if records do not establish the purchase price, the dealer may lose the benefit of the margin scheme and become liable on the full sale price.
- Documentation. The agreement with the customer, the manner of transfer in the RTO records, the payment trail, and the invoices must be consistent with the model followed.

Conclusion

The GST treatment of used-car dealers depends on the substance of the arrangement. A dealer who buys and sells pays tax at 18% on the margin, provided Rule 32(5) is complied with, while a dealer who only facilitates the sale pays tax at 18% on the commission. The uniform 18% rate on used vehicles since January 2025 has removed the earlier small-car versus large-car distinction and increased the burden on the organised segment.

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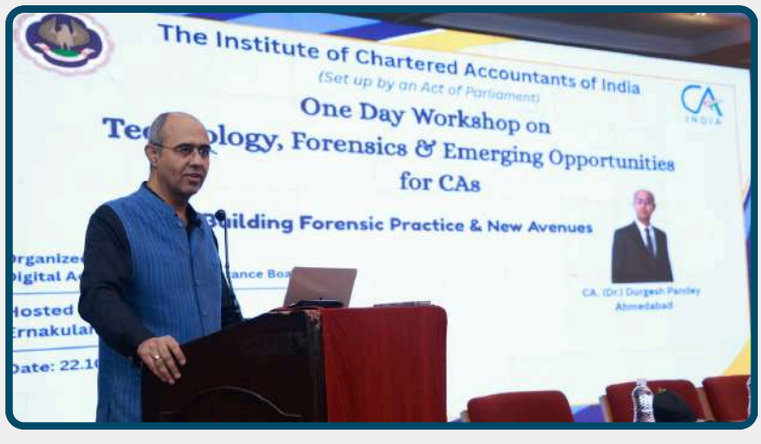






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