

# DA TAX UPDATE INDIRECT TAX

An E-Tax update from  
**Darda Advisors LLP**

Fortnightly update – June 2025

Issue - 78

**Goods and Service Tax**

**Customs and Others**

## Goods and Service Tax

### Refund of Unutilized ITC on Business Closure

SICPA claimed ₹4.37 crore as refund for unutilized GST Input Tax Credit following its business closure in Sikkim. Lower authorities denied the refund, relying on Section 54(3) of the CGST Act, which restricts ITC refunds to zero-rated supplies and rate mismatches. The High Court held that Section 49(6) allows refunds of credit balances at business closure, not limited by Section 54(3), since the CGST Act does not expressly prohibit such refunds. It aligned with precedents permitting credit refunds on cessation. Consequently, both orders denying the refund were set aside, and SICPA's petition was allowed.

*SICPA India Pvt. Ltd. & Anr. v. Union of India & Ors. WP(C) No. 54 of 2023*

### High Court Ruling on Export of Services & Refund of ITC

The Bombay High Court ruled in favor of Sundyne Pumps and Compressors India Pvt Ltd, holding that services provided by an Indian subsidiary to its foreign parent company qualify as "export of services" under GST law. The Court rejected the department's stand that the subsidiary was acting as an agent, stating that a cost-plus model and audit rights do not imply agency. It affirmed that the Indian and foreign entities are distinct legal persons and quashed the refund rejection. The Court directed the department to process and pay the refund of unutilized ITC along with interest.

*Sundyne Pumps and Compressors India Pvt Ltd vs Union of India*

### High Court Upholds Penalty on Unregistered Persons for GST Fraud

The Gujarat High Court held that even unregistered individuals can be penalized under Sections 74 and 122 of the CGST Act if they actively participate in fraudulent GST schemes. Petitioners Shankar and Ujit Mundra were found to have created bogus entities to wrongfully avail ₹4.34 crore ITC. The Court ruled that their vague responses amounted to implied admission and upheld the penalty. It emphasized that GST liability extends to anyone facilitating fraud, not just registered taxpayers.

*Shri Shankar Mundra & Anr. v. Union of India & Anr. 2025 (4) TMI 676*

## Goods and Service Tax

### High Court Upholds GST Proceedings Against Co-Noticees

The Gujarat High Court dismissed the petition filed by Shri Shankar Mundra & Anr., who were co-noticees in a case involving fraudulent availing of Input Tax Credit (ITC) through fake invoices using bogus firms—M/s Poonam Creation and M/s Ashok Creation. The Court held that the petitioners failed to effectively deny their involvement or refute the detailed allegations and evidence in the show cause notice. It ruled that proceedings under Sections 74 and 122 of the GST Act are valid against persons aiding tax evasion, even if they are not the primary taxable persons.

*SHRI SHANKAR MUNDRA & ANR. VERSUS UNION OF INDIA & ANR. SCA NO. 2857 of 2025*

### ITC Denial Due to Supplier's Default – HC Quashes Orders Against Buyer

The Allahabad High Court allowed a writ petition by M/s R.T. Infotech, who was denied Input Tax Credit (ITC) due to the supplier (Bharti Airtel Ltd.) allegedly not depositing tax with the government. The Court held that the purchaser had fulfilled all obligations by making payments through banking channels and cannot be penalized for the seller's default. Relying on the Supreme Court's Suncraft Energy judgment and the Madras High Court's D.Y. Beathel Enterprises case, the Court quashed

the orders and remanded the matter for fresh consideration.

*M/S R.T. Infotech V/S Additional Commissioner Grade 2 And 2 Others [WRIT TAX No. 1330 of 2022]*

### Cash Credit Account Not "Property" Under GST: HC Quashes Attachment by Tax Department

In Skytech Rolling Mill Pvt. Ltd. v. Joint Commissioner of State Tax, the Bombay High Court quashed a provisional attachment order under Section 83 of the MGST Act, 2017, on the petitioner's cash credit account. The Court held such accounts are borrowing facilities, not assets of the taxpayer, and therefore cannot be classified as "property" liable to attachment. Relying on Gujarat and Calcutta HC rulings (Manish Scrap Traders, J.L. Enterprises) and its own earlier decision in Sargam Foods, the Court found the action ultra vires. The department was directed to withdraw the attachment within 24 hours. The writ was allowed under Article 226 due to lack of jurisdiction.

*Skytech Rolling Mill Pvt. Ltd. v. Joint Commissioner of State Tax, WP No. 1928 of 2025*

## Goods and Service Tax

### IGST Refund Allowed on Exports – Rule 96(10) Omission Applicable to Pending Cases

The Gujarat High Court held that the omission of Rule 96(10) of the CGST Rules via Notification No. 20/2024 dated 8th October 2024 applies prospectively, but also to all pending proceedings. Since no saving clause was included, the repealed rule cannot impact cases still under adjudication. Consequently, all related show cause notices and orders were quashed. Petitioners are now eligible to claim IGST refunds on exports without restriction under Rule 96. The Court found no need to assess the constitutional validity of Rule 96(10).

*M/s ADDWRAP PACKAGING PVT LTD AND ANR vs UNION OF INDIA AND ORS [SCA No. 1210/2024]*

### GST Registration Cancellation – HC Allows Restoration Subject to Compliance

The Gauhati High Court held that cancellation of GST registration for non-filing of returns entails serious civil consequences. Despite missing the revocation deadline, the petitioner may still seek restoration under Rule 22(4) of the CGST Rules if he files all pending returns and pays the due taxes, interest, and late fees. The Court directed the petitioner to approach the proper authority within two months, who must then consider restoration in accordance with the law.

*DEBASISH BORUAH vs UNION OF INDIA & ORS [WP(C)/3149/2025]*

### High Court Dismisses GST Petitions Due to Forged Documents and Fictitious Petitioners

The Delhi High Court dismissed four GST-related writ petitions after it was discovered that the petitioners were untraceable and had submitted forged Aadhaar cards and fabricated documents, including show cause notices (SCNs). The Court noted this appeared to be a well-planned conspiracy to commit GST fraud. Serious concerns were raised about misuse of legal procedures and affidavits, prompting the Court to direct the Registrar General to lodge a criminal complaint under relevant provisions of the Bharatiya Nyaya Sanhita and Bharatiya Nagarik Suraksha Sanhita. All interim orders were recalled, and recommendations were made for procedural safeguards during affidavit attestations in the future.

*ROYAL ENTERPRISES & Others vs PRINCIPAL COMMISSIONER OF GST, EAST DELHI [WP(C) Nos. 2867/2025]*

## GST Updates

### Clarification on Generation and Quoting of Document Identification Number (DIN) on Communications via GST Common Portal

The CBIC has issued a clarification regarding the use of Document Identification Number (DIN) on communications issued through the GST common portal, which already bear a Reference Number (RFN). Since RFN is a unique, verifiable identifier for documents on the GST portal, quoting DIN alongside RFN is unnecessary and redundant. This aligns with Section 169(1)(d) of the CGST Act, 2017, which mandates electronic service of communications via the common portal. Henceforth, communications with RFN on the portal will be considered valid without the need for DIN. This circular also modifies earlier circulars issued on DIN implementation to reflect this update.

Circular No. 249/06/2025-GST, dated 9<sup>th</sup> June 2025

## GST Portal Updates

### **Advisory on Non-Editable Auto-Populated Liability in GSTR-3B from July 2025**

From the July 2025 tax period, the auto-populated tax liability in GSTR-3B will become non-editable. This liability is based on outward supplies declared in GSTR-1, GSTR-1A, or IFF. Taxpayers must now use Form GSTR-1A to amend any errors in outward supplies before filing GSTR-3B for the same period. This change ensures greater accuracy and consistency in tax filings. For more details, refer to earlier GSTN advisories dated January 27, 2025, and October 17, 2024.

### **System Validation for Filing Refund Applications on GST Portal for QRMP Taxpayers**

In May 2025, a system validation was introduced on the GST Portal to ensure refund claims are filed only after all relevant returns due up to the refund application date are filed, as per Circular No. 125/44/2019-GST. However, QRMP taxpayers faced issues where the system did not recognize invoices submitted via the Invoice Furnishing Facility (IFF) for the first two months of the quarter, blocking refund filings. This technical problem has now been fixed, allowing QRMP taxpayers to file refund applications for invoices with filed GSTR-3B. Taxpayers are reminded to file all applicable returns before applying for refunds and may contact the GST Helpdesk for assistance.

### **Barring of GST Return Filing After Three Years**

As per the Finance Act, 2023 and Notification No. 28/2023-Central Tax, effective from October 1, 2023, taxpayers will no longer be allowed to file certain GST returns after three years from their original due date. This restriction applies to returns under Sections 37, 39, 44, and 52, covering forms like GSTR-1, GSTR-3B, GSTR-4, GSTR-5, GSTR-6, GSTR-7, GSTR-8, and GSTR-9. The GST portal will enforce this barring from the July 2025 tax period onward. Taxpayers are urged to reconcile their records and file any pending returns immediately to avoid being barred. An earlier advisory on this was issued on October 29, 2024.

### **Guidance on Filing SPL-01/SPL-02 Forms When Payment Made Through GSTR-3B and Other Cases**

Taxpayers filing amnesty applications in Form SPL-01 or SPL-02 under Section 128A of the CGST Act, 2017, may face technical issues with auto-population of payment details in Table 4, especially for payments made via "payment towards demand order," pre-deposit amounts, or through GSTR-3B. Despite such discrepancies, taxpayers can still proceed with filing waiver applications as the GST portal does not block submissions when payment details don't match the demand amount. It is advised to upload relevant payment proofs as attachments for verification by the jurisdictional officer.

## GST Portal Updates

### **Introduction of Enhanced Inter-operable Services Between E-Way Bill Portals**

GSTN announces the launch of the new E-Way Bill 2.0 portal on 1st July 2025, designed to offer enhanced interoperability with the existing E-Way Bill 1.0 portal. This upgrade allows seamless cross-portal operations such as generation and extension of E-Way Bills, updating transporter details, and consolidated bill management, ensuring uninterrupted service during technical downtimes. Both portals will be synchronized in real-time, allowing taxpayers to operate on either platform without disruption. Additionally, all services will be accessible via APIs for easier integration by taxpayers and logistics operators.

### **Advisory to File Pending GST Returns Before Expiry of Three Years**

As per the Finance Act, 2023, taxpayers will no longer be allowed to file GST returns after three years from the due date of the respective returns under Sections 37, 39, 44, and 52. This restriction, implemented from July 2025 tax period, affects returns including GSTR-1, GSTR-1A, GSTR-3B, GSTR-4, GSTR-5, GSTR-6, GSTR-7, GSTR-8, and GSTR-9/9C. Returns due three years ago or earlier will be barred from filing starting August 1, 2025. Taxpayers are urged to reconcile their records and file any pending returns immediately to avoid being barred. An earlier advisory was issued on this matter in October 2024.

## Customs & Others

### HC Dismisses Customs Department Appeal Affirming Foreign Going Vessel Status for GST Exemption

The Kerala High Court upheld the CESTAT's decision that the vessel Asean Explorer, engaged by M/s ASEAN CABLESHIP PVT LTD for cable repair activities in the Indian Ocean, qualifies as a 'foreign going vessel' under Section 87 of the Customs Act, 1961. Despite the vessel's arrangement with Cochin Port Trust to berth for concessional rates and remaining within territorial waters for parts of the year, the Court found this irrelevant to its foreign going status. The Court emphasized the agreement's terms and the vessel's overall engagement under the SEAIOCM Agreement. Hence, the vessel is entitled to exemption on spares and consumables under the Customs Act. The Customs Department's appeal was dismissed.

*The Commissioner of Customs, Cochin vs M/s ASEAN CABLESHIP PVT LTD [CUS. APPEAL.NO.1 OF 2021]*

### High Court Dismisses Appeals on Customs Exemption for Solar Inverter Imports

The Kerala High Court dismissed appeals by M/s Solgen Energy Pvt Ltd challenging CESTAT's decision denying customs exemption under Notification No.12/2012-CE for imported inverter units. The Court agreed with the Tribunal that the appellant imported only the inverter

component of a Solar Power Generating System without the essential photo-voltaic cells, which are necessary to harness solar energy. Since the imported goods were not a complete solar power generating system, the appellant was ineligible for the exemption. The Court upheld the Tribunal's ruling and dismissed the appeals.

*M/s Solgen Energy Pvt Ltd vs Commissioner of Customs, CUS.APPEAL NO. 2, 3 & 4 OF 2024*

### CESTAT Quashes Customs Duty Demand and Penalties Over Valuation Issue

Delphi Automotive Systems Pvt Ltd and its directors were issued show cause notices for undervaluation of imported goods by wrongly declaring ex-works value as FOB. Customs demanded duty and penalties, invoking extended limitation. The CESTAT found the error was a genuine oversight with no evidence of collusion or fraud. All documents were furnished and verified. Since the extended limitation period invocation was invalid, the Tribunal quashed the entire demand and penalties. The appeals were allowed.

*Delphi Automotive Systems Pvt Ltd & Ors vs Commissioner of Customs (Preventive) Customs Appeal Nos. 53985-53989/2014*

## Customs & Others

### Customs Duty Demand and Penalty Quashed Due to Lack of Evidence Beyond NIDB Data

Pelican Quartz Stone imported artificial stone slabs and was issued a customs duty demand of Rs. 17.45 lakhs plus penalties for alleged undervaluation based solely on NIDB data. The Customs department rejected the declared transaction value without additional supporting evidence. The Tribunal held that NIDB data alone is insufficient to discard declared value and emphasized the violation of natural justice by denying cross-examination. Without proof of conscious misdeclaration, penalties and demand were set aside. Appeals by the importer and partner were allowed, and the Revenue's appeal was dismissed.

*COMMISSIONER, CUSTOMS-JAIPUR  
V/S M/s PELICAN QUARTZ STONE  
[Customs Other Application No.  
50196 Of 2025]*

### Retrospective Conditions Cannot Deny Past Duty-Free Exemptions on ADB-Funded Imports

Revenue appealed against multiple importers who brought machinery duty-free under Notification 84/97-CUS for ADB-funded projects during 2005-2007. The machinery was cleared without bonds and used in the intended projects. Later, Revenue issued SCNs alleging diversion based on post-import conditions introduced retrospectively by Notifications in

2008 and 2014. The Tribunal held that retrospective application of conditions to deny exemption is impermissible under Customs law. Since no bond or continuous undertaking existed, demands and penalties were quashed. Appeals by Revenue were dismissed.

*PR COMMISSIONER OF CUSTOMS  
(PORT) Vs M/s LIMAK-SOMA JV  
[Customs Appeal No. 75600 of 2021]*

## Customs & Other Updates

### Rollout of 'Source from India' Feature on Trade Connect ePlatform for All Status Holders

The Directorate General of Foreign Trade (DGFT) has announced the expansion of the 'Source from India' feature on the Trade Connect ePlatform to all Status Holder exporters with valid IECs (not in DEL). This feature enables exporters to create micropages showcasing their products and credentials to international buyers. Previously limited to Three-, Four-, and Five-star manufacturers, the service is now broadly available with plans to extend to other IEC holders. Indian Missions Abroad and Export Promotion Councils are encouraged to promote this platform as a key sourcing reference for foreign buyers. Detailed registration and IEC linking steps are provided to facilitate exporters' participation.

[Public Notice No. 05/2025-26-DGFT, dated 13<sup>th</sup> June 2025](#)

## Import and Export data

Imports of May 2025 at \$ 77.75 B

Exports of May 2025 at \$ 71.12 B

|   |               | May 2025<br>(US\$ Billion) | May 2024<br>(US\$ Billion) |
|---|---------------|----------------------------|----------------------------|
| <b>Merchandise</b>                                | Exports       | 38.73                      | 39.59                      |
|   | Imports       | 60.61                      | 61.68                      |
| <b>Services*</b>                                  | Exports       | 32.39                      | 29.61                      |
|   | Imports       | 17.14                      | 16.88                      |
| <b>Total Trade<br/>(Merchandise + Services) *</b> | Exports       | 71.12                      | 69.20                      |
|   | Imports       | 77.75                      | 78.55                      |
|   | Trade Balance | -6.62                      | -9.35                      |

[Source : PIB](#)

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[www.dardaadvisors.com](http://www.dardaadvisors.com)



[da@dardaadvisors.com](mailto:da@dardaadvisors.com)

## Our Locations

### Hyderabad

6-3-1086, 5th Floor, Vista Grand Towers, Raj Bhavan Road, Somajiguda, Hyderabad - 500082, TS

### Chennai

13, T.K. Mudali Street, Choolai, Chennai - 600112, Tamil Nadu

### Delhi-NCR

N 93, Ground floor, Mayfield garden, Sector 51, Gurgaon, Haryana - 122018

### Bhilwara

Moti Chambers, 62&63, Sancheti Colony, Pur Road. Bhilwara - 311001, Rajasthan

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