

INDIRECT TAX DIGEST

21 November 2025

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GOODS & SERVICES TAX (GST)



JUDICIAL UPDATES

MRP based computation of Compensation Cess is contradictory to the Compensation Cess Act

M/s. VKG Packers Vs. Union of India and Ors. [2025 (11) TMI 425 - Karnataka High Court]

Issue

- Whether Compensation Cess can be levied on the Maximum Retail Price (MRP) of a product?

Ratio

- Cess can be imposed under Section 8 of the Goods and Services Tax (Compensation to States) Act, 2017 (Compensation Cess Act) and is imposable on the transaction value determined under Section 15 of the Central Goods and Services Tax Act, 2017 (CGST Act) and not beyond it.
- A perusal of notification nos:2¹ and 3²/2023-Compensation Cess (Rate) (Impugned Notifications) would clearly indicate that the said notifications are contrary to section 8(2) of Compensation Cess Act and section 15 of the CGST Act, which clearly holds that the value of supply of goods is the Transaction value, i.e., the price actually paid/payable for the supply.
- Proviso to section 8(2) of the Compensation Cess Act, in unambiguous terms, provides that the value of Compensation Cess chargeable on any supply shall be determined as per section 15 of the CGST Act. Hence, the notification, which links the levy of Cess on MRP of the supply and not on the transaction value, contradicts the Compensation Cess Act. A subsequent notification cannot impose cess by taking MRP of a product as base by defeating Section 15 of the CGST Act itself³.
- It is impermissible for the government to impose tax on a notional price (i.e. MRP). Thus, the revenue cannot offer justification for plugging leakage to exercise power contrary to the CGST Act. A delegated legislation in conflict with the parent Act is *ultra vires* the said Act and is required to be declared a nullity. The Impugned Notifications, being a delegated legislation, cannot travel beyond the contours of its parent Act, i.e., the Compensation Cess Act.
- In view of the above, the Writ petitions are allowed, and the Impugned Notifications are set aside.

Recording 'reasons to believe in writing' mandatory to block ITC under Rule 86A

Pilcon Infrastructure Pvt. Ltd. Vs. State of Uttar Pradesh and Anr. [TS-907-HC(ALL)-2025-GST]

Issue

- Whether merely recording '*Supplier found non-functioning*' in the Electronic Credit Ledger (ECrL) without recording 'reasons to believe' in writing is sufficient to block ITC under Rule 86A of Central Goods and Services Tax Rules, 2017 (CGST Rules)?

Ratio

- Once the provision (rule 86A of CGST Rules) requires that '*reasons to believe*' must be '*recorded in writing*', the jurisdiction and authority to be exercised under the said rule must subscribe to that mandatory condition. Although such reasons may be recorded *ex-parte* against the Taxpayer, the requirement of the statute to record the reasons is a non-negotiable condition. Further, what constitutes '*reason to believe*' is not a matter of speculation, especially in this branch of law.

¹ Dated 31 March 2023

² Dated 26 July 2023

³ State of Rajasthan Vs. Rajasthan Chemists Association [2006 (6) SCC 773] and ITC Ltd. Vs. State of Karnataka [2012 SCC OnLine Kar 8765]

- In the instant case, primarily, no ‘reason to believe’ has been ‘recorded in writing’ by the tax authority to block the input tax credit of the Taxpayer.
- The intimation⁴ received from the Directorate General of GST Intelligence (DGGI) only reflects a generic/non-specific conclusion drawn by DGGI that the supplier - M/s Maa Kamakhya Trading, Sarguja has passed on fraudulent ITC without supplying any goods on the basis of bogus invoices, etc. However, merely on this generic allegation, it cannot be inferred that the dealer had made some non-generic (i.e., fraudulent) transactions. In any case, no orders have been passed against the supplier/Taxpayer to substantiate the conclusion drawn by the tax authority.
- The ‘reason’ mentioned in the Taxpayer’s ECrL, i.e., ‘Supplier found non-functioning’, does not fulfil the requirement of Rule 86A(1) of the CGST Rules. There must not only exist material giving rise to the belief, but also the said reasons must arise from the material on record/leading to the belief. Although the DGGI investigation would be ex parte against the Taxpayer, the requirement of the statute to first record ‘reasons to believe in writing’ must be strictly enforced.
- Granting ITC and maintaining its chain is the soul of a successful GST regime. Any doubt or suspicion alone may not lead to an action by tax authorities - to block the ITC of a taxpayer and disrupt the entire value addition chain and consequentially tax payments - without fulfilling the statutory/mandatory requirement to record ‘reasons to believe’ in writing.
- In view of the above, the Writ Petition is allowed and the ECrL blocked by the tax authorities was set aside, and the tax authorities are directed to unblock such ITC, forthwith.

Issuance of a consolidated Show-cause Notice for multiple financial years is a judicial overreach and hence, unsustainable in law.

Milroc Good Earth Developers Vs. Union of India and Ors. [TS-871-HC(BOM)-2025-GST]

Issue

- Whether issuing a consolidated Show-cause Notice is sustainable in law, or whether the same is a judicial overreach?

Ratio

- The scheme of the CGST Act indicates that the statutory provision for assessment of tax for each financial year expects that a Show-cause Notice must be issued at least three months prior to the time limit for issuance of an assessment order, which is five years from the due date for furnishing of annual return for the financial year to which the proceedings pertain. Thus, the law provides a definite tax period, based on the filing of a return, which can be monthly or annually. If the assessment is based on the annual return, the tax period shall be the relevant financial year.
- In view of the above and relying on various judicial precedents⁵, it is held that there is no scope for consolidating various financial years/tax periods, as attempted by the impugned Show-cause Notices.
- Moreover, the judicial precedents relied upon by the tax authorities were distinguished *inter alia* on the following grounds:
 - **Ambica Traders**⁶: Unlike the present case, the fact involved before the Delhi High Court revolved around the wrongfully claimed ITC.
 - **RioCare India Pvt. Ltd.**⁷: The observations made by the Bombay High Court were merely of a primary nature without appreciating the relevant provisions of the CGST Act / CGST Rules, and it did not express its final opinion.
- In view of the above, it was held that there is no provision to club various tax periods, and apart from the fact that it is also beyond the period of limitation, the action of the tax authorities in issuing a consolidated Show-cause notice for multiple assessment years is without jurisdiction. Accordingly, the Writ Petition was allowed, and impugned Show-cause Notices were quashed and set aside by holding that their issuance was a judicial overreach.

CUSTOMS



LEGISLATIVE UPDATES

NOTIFICATION

31/2025-Customs (ADD) ⁸	Effective 7 November 2025, Anti-Dumping Duty (ADD) has been imposed on ‘Flax or Linen fabric having flax content of more than 50%’ classified under Chapter heading 5309, originating in or exported from China PR and Hong Kong, for a period of five years.
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⁴ Dated 13 June 2025

⁵ R A and Co. Vs. The Additional Commissioner of Central Taxes, South Commissionerate [TS-644-HC(MAD)-2025-GST], Titan Company Ltd. Vs. The Joint Commissioner of GST and Central Excise and Ors. [TS-707-HC(MAD)-2023-GST], Tharayil Medicals Vs. The Deputy Commissioner [TS-258-HC(KER)-2025-GST], State of Jammu and Kashmir and Ors. Vs. Caltex (India) Ltd. [AIR 1966 SC 1350], Veremax Technologie Services Ltd. Vs. The Assistant Commissioner of Central Tax [TS-602-HC(KAR)-2024-GST]

and Bangalore Golf Club Vs. Assistant Commissioner of Commercial Taxes (Enforcement)-22 passed in Writ Petition No.16500 of 2024.

⁶ Ambika Traders Vs. Additional Commissioner, Adjudication, DGGSTI [TS-683-HC(DEL)-2025-GST]

⁷ RioCare India Pvt. Ltd. Vs. Assistant Commissioner, CGST and Central Excise [2025 26 Centax 339 (Bom.)]

⁸ Dated 7 November 2025

32/2025-Customs (ADD) ⁹	Effective 12 November 2025, ADD has been imposed on specified ' <i>Hot rolled flat products of alloy or non-alloy steel, clad, not plated or coated, of a thickness up to 25 mm and width up to 2100 mm</i> ' classified under Chapter headings 7208, 7211, 7225 and 7226, originating in or exported from Vietnam, for a period of five years.
32/2025-Customs (ADD) ¹⁰	Effective 17 November 2025, ADD has been imposed on specified ' <i>Liquid Epoxy Resins</i> ' classified under HSN 3907 3010 and 3907 3090, originating in, or exported from China PR, Korea RP, Saudi Arabia, Taiwan and Thailand, for a period of five years.
48/2025-Customs ¹¹	Effective 14 November 2025, the following amendments are made: <ul style="list-style-type: none"> Notification no:27/2011-Customs¹² has been amended to prescribe a 'Nil' rate of export duty on export of Cane Molasses classified under HSN 1703 1000. Notification no:45/2025-Customs¹³ is amended to insert a new entry at Sl. no:45A for imposing Basic Customs Duty @ 15% on import of all goods classifiable under HSN 1510 1000 (earlier 35% as per Sl. no:43 of the aforesaid notification). Consequent amendment is also made to exclude the aforesaid goods from the scope of Sl. no:43 of the said notification.

CIRCULAR

28/2025-Customs ¹⁴	CBIC has operationalised a dedicated online module on ICEGATE 2.0 to streamline and simplify the submission of applications under section 65 of the Customs Act, 1962 (Customs Act), read with the Manufacture and Other Operations in Warehouse Regulations, 2019 (MOOWR), for warehouses licensed under sections 58 and 58A of the Customs Act. Further, DG Systems has made available detailed User Manuals for both trade and departmental officers ¹⁵ .
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INSTRUCTION

32/2025-Customs ¹⁶	<i>Vide</i> Notification no:44/2025 ¹⁷ , ITC (HS) 2022, Schedule-I (Import Policy) was amended in line with the Finance Act, 2025 ¹⁸ . In this regard, CBIC has issued an instruction intimating that the list of ITC (HS) Codes and related Policy Conditions (with consequential changes) under ITC (HS) 2022, Schedule-I (Import Policy) is appended to the said notification. Further, the amendments in the Section Notes, Chapter-wise Main Notes, Supplementary Notes, Chapter heading, sub-headings and description of ITC (HS) codes are also appended to the said notification.
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FOREIGN TRADE POLICY



LEGISLATIVE UPDATES

NOTIFICATION

48/2025-26 ¹⁹	Effective 17 November 2025, the Import Policy of goods classified under HSN 7113 1921 - Articles of jewellery and parts thereof - of platinum - unstudded - has been revised from 'Free' to 'Restricted' till 30 April 2026.
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TRADE NOTICE / CIRCULAR / PUBLIC NOTICE

Policy Circular No. 07/2025-26 ²⁰	<p>Certain exporters are facing difficulties in obtaining redemption of Advance Authorisations (AA) affected by the erstwhile provisions of Rule 96(10) of the CGST Rules, 2017. In this regard, the Directorate General of Foreign Trade has clarified that the issuance of the Export Obligation Discharge Certificate (EODC) shall not be withheld in the following cases if all other requirements are duly fulfilled:</p> <ul style="list-style-type: none"> IGST is paid in cash at the time of clearance of import consignments under the AA scheme between the period of 13 October 2017 and 9 January 2019. The applicant has not claimed exemption from IGST, Compensation Cess, or other levies (except Basic Customs Duty). The applicant has complied with the prescribed pre-import condition and other procedural requirements under the AA Scheme.
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⁰⁸ Dated 12 November 2025

⁰⁹ Dated 17 November 2025

¹⁰ Dated 14 November 2025

¹¹ Dated 1 March 2011

¹² Dated 24 October 2025

¹³ Dated 15 November 2025

¹⁴ Source - <https://www.icegate.gov.in/guidelines/warehouse-licensing>

¹⁵ Dated 10 November 2025

¹⁶ Dated 15 October 2025. Our update on the same may be accessed by clicking [here](#).

¹⁷ Dated 29 March 2025

¹⁸ Dated 17 November 2025

¹⁹ Dated 11 November 2025

CENTRAL EXCISE/ SERVICE TAX/ VALUE ADDED TAX



LEGISLATIVE UPDATES

NOTIFICATION

<p>F.N. RULE/697 /2025-COMTAX SECTION(87) (Chhattisgarh)²¹</p>	<p>The Chhattisgarh Settlement of Arrears of Tax, Interest and Penalty Act, 2023 was amended²² w.e.f. a date to be notified to insert section 25, which provides for the waiver of arrears, determined as per any statutory order passed on or before 31 March 2015, which are INR 25,000/- or less per financial year. Further, post assessment interest or penalty on such written-off arrears shall also be waived. In this regard, 19 September 2025 has been notified as the date of coming into force of the above amendment.</p>
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INDIRECT TAX NEWS FLASH



<p>The Hindu-Business Line (12 & 18 November 2025)</p>	<ul style="list-style-type: none"> ▪ Health insurance sales up 20% in October on GST relief on premiums ▪ Rural India steers auto sector back to growth after GST revamp
<p>Times of India (15 November 2025)</p>	<ul style="list-style-type: none"> ▪ GST cut drives MSME loan demand ▪ FMCG sector: Sales growth slows in September quarter as GST changes hit volumes; rural markets outpace cities again
<p>Live Mint (16 November 2025)</p>	<ul style="list-style-type: none"> ▪ India, Eurasia to meet every quarter to fast-track FTA, ease market barriers
<p>Fortune India (13 November 2025)</p>	<ul style="list-style-type: none"> ▪ The domino effect: How GST 2.0's material cost savings could reshape real estate projects
<p>Rediff Money (17 November 2025)</p>	<ul style="list-style-type: none"> ▪ Indo-Japan Auto Collaboration: GST 2.0 & Reforms
<p>Business Standard (14 November 2025)</p>	<ul style="list-style-type: none"> ▪ GST cut lifts life, retail health insurance growth: IRDAI member Sood
<p>Outlook Business (18 November 2025)</p>	<ul style="list-style-type: none"> ▪ India-EU FTA Talks in Final Stage, Says Commerce Secretary; Tariff Reduction with USA also in focus
<p>The Hindu (14 November 2025)</p>	<ul style="list-style-type: none"> ▪ WPI inflation falls to (-) 1.21% in October on GST cut, favourable base

This Indirect Tax Digest summarises the key indirect tax legislative developments issued and made available on relevant government portals (including, but not limited to, those of CBIC and DGFT) between 5 November 2025 and 18 November 2025. This digest is for informational purposes only and does not constitute professional tax advice. While every effort has been made to ensure accuracy, no representation or warranty, express or implied, is given as to the completeness or correctness of the information. Readers should consult their tax advisors regarding the specific implications of any legislative changes discussed. This information is based on publicly available data as of the date indicated and is subject to change.

²¹ Dated 12 November 2025

²² Our update on the same may be accessed by clicking [here](#) and [here](#).

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