

GST BULLETIN

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Delhi, Pune, Bangalore

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1. Clinical Trial Services to Foreign Recipients as Export; GST Demand Quashed

Case of : Iprocess Clinical Marketing Pvt. Ltd.

Decision by : Karnataka High Court

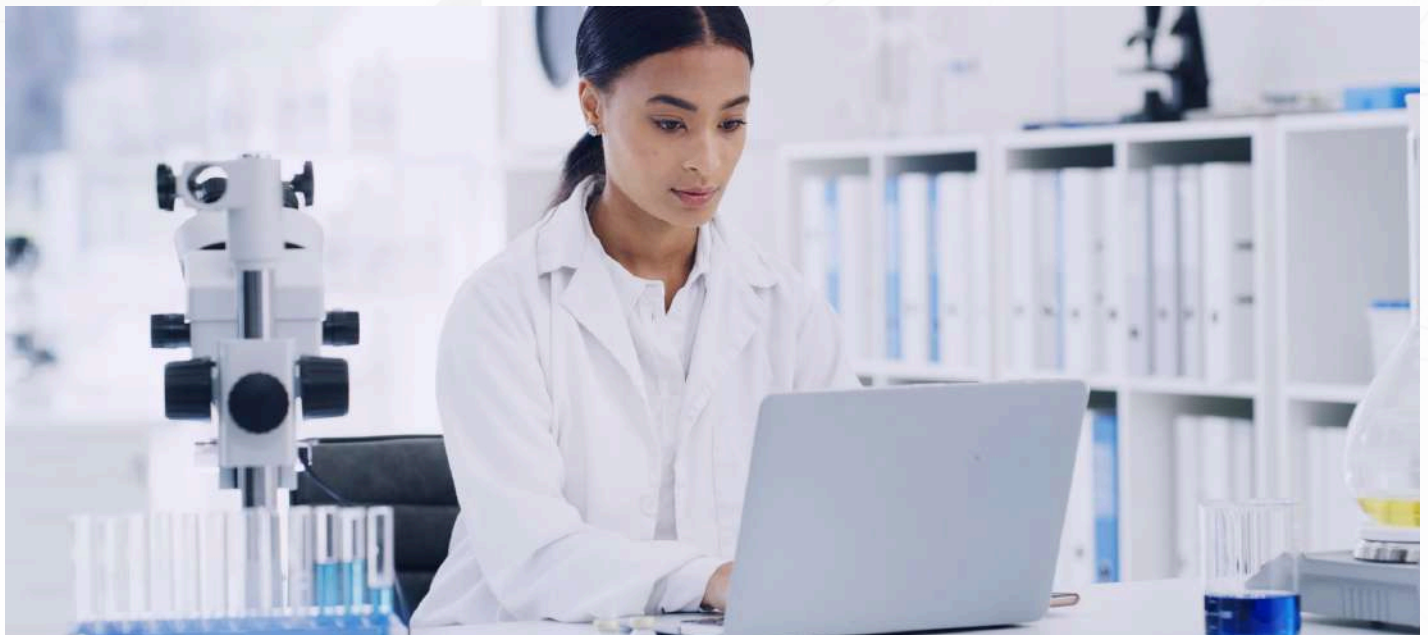
Date of Ruling : 08th December 2025

Facts:

- Iprocess Clinical Marketing Pvt. Ltd. (Petitioner), an Indian company, was engaged in providing clinical trial and research & development (R&D) services in India to overseas entities located in the United States.
- These services were rendered pursuant to a tripartite agreement involving the petitioner, New York School of Medicine and the administrative unit of New York University, along with the petitioner's associate company in the USA.
- During assessment proceedings under Section 73 of the CGST Act, the Revenue raised a GST demand on the ground that the services were performed in India and hence taxable.
- The Revenue contended that Notification No. 04/2019–Integrated Tax, issued under Section 13(13) of the IGST Act clarifying the place of supply for such services, was prospective in nature and could not apply to the period prior to its issuance.
- The petitioner challenged both the adjudication order and the appellate order upholding the GST demand.

Issue:

- Whether clinical trial and R&D services provided by an Indian company to foreign recipients qualify as "export of services" under GST law, and whether Notification No. 04/2019–Integrated Tax is retrospective in nature being clarificatory and beneficial.



Court Observation

- The High Court observed that the 37th GST Council Meeting had resolved to clarify the tax position concerning R&D and clinical trial services provided by Indian pharmaceutical companies to foreign entities. The Court held that Notification No. 04/2019–Integrated Tax merely clarified the existing legal position regarding the place of supply, aligning it with the place of effective use and enjoyment of services, i.e., the location of the service recipient.
- Relying on settled judicial precedents, the Court held that amendments or notifications that are beneficial, clarificatory, and explanatory in nature operate retrospectively.
- Accordingly, the notification was held to be retrospective, and the services in question were treated as export of services with the place of supply outside India.



Full Judgement: [Iprocess Clinical Marketing Pvt. Ltd.](#)

SNR's Take

This judgment reinforces the principle that clarificatory and beneficial tax notifications should be applied retrospectively to avoid unintended tax burdens on taxpayers. By recognizing clinical trial and R&D services rendered to foreign recipients as exports, the Karnataka High Court provides certainty and relief to Indian service providers operating in the global pharmaceutical and research sector. The ruling also underscores the binding relevance of GST Council recommendations in interpreting statutory provisions and promotes a taxpayer-friendly approach in cross-border service taxation under GST.

2. Economic Offence under GST Does Not Warrant Automatic Arrest

Case of : Sri Akram Pasha

Decision by : Karnataka High Court

Date of Ruling : 19th December 2025

Facts:

- The Revenue alleged that the petitioner (Sri Akram Pasha) was part of a syndicate involved in creating shell/bogus firms to fraudulently avail and pass on fake Input Tax Credit (ITC) amounting to approximately ₹31.62 crores, without actual supply of goods.
- It was further alleged that the petitioner had failed to appear despite multiple summons and that custodial interrogation was necessary for offences punishable under Sections 132(1)(b) and 132(1)(c) read with Section 132(5) of the CGST Act, 2017.
- The petitioner contended that the maximum punishment under the CGST Act is imprisonment up to five years, offences under the Act are largely compoundable under Section 138, the State GST authorities had already adjudicated the matter and the determined tax demands had been discharged
- There is no statutory bar on granting anticipatory bail under the CGST Act, and that arrest is not the primary objective of GST legislation, which focuses on tax collection.

Issue:

- Whether anticipatory bail can be granted to the petitioner accused of fraudulent availment and passing of fake ITC under the CGST Act, considering the nature of the offence, statutory provisions, and facts of the case.



Court Observation

- The High Court examined the statutory framework of Sections 69, 70, 132, and 138 of the CGST Act and relied on judicial precedents including Shravan A. Mehra, Sapna Jain, and Tarun Jain.
- The Court observed that although the offence is economic in nature, the punishment prescribed does not exceed five years' imprisonment and does not involve additional serious offences as seen under other special economic statutes like the Prevention of Money Laundering Act, 2003.
- The Court further noted that Section 138 makes GST offences compoundable either before or after prosecution and that effective cooperation by the petitioner could enable the authorities to gather necessary information without resorting to arrest.
- Hence, arrest was held not to be imperative in the facts and circumstances of the case.



Full Judgement: [Sri Akram Pasha](#)

SNR's Take

The ruling emphasizes balancing the seriousness of economic offences with statutory intent, individual liberty, and proportionality of enforcement actions. It highlights that GST law primarily aims at revenue recovery rather than punitive incarceration, and anticipatory bail can be granted where custodial interrogation is not strictly necessary, and the accused is willing to cooperate with authorities.

3. Refund application of Interest Paid Under Protest Cannot Be Rejected via Deficiency Memo

Case of : M/s Meghaaerika Enterprises Private Limited

Decision by : High Court of Gujarat

Date of Ruling : 18th December 2025

Facts:

- The Assessee (Meghaaerika Enterprises Pvt Ltd) was allotted a plot by GIDC and subsequently assigned the leasehold rights in the plot to a third party through an assignment deed.
- The State tax authorities issued summons under Section 70 of the CGST Act, alleging GST liability on the assignment of leasehold rights and demanded payment of GST along with 18% interest.
- While disputing the taxability of such assignment, the Assessee paid only the interest amount under protest through Form GST DRC-03.
- Thereafter, the Assessee filed a refund application under Section 54 of the CGST Act read with Rule 90 of the CGST Rules, seeking refund of the interest paid.
- The refund application was rejected at the threshold by issuance of a deficiency memo in Form GST RFD-03, stating that there was no notification or circular permitting refund of such interest.
- The Assessee challenged the deficiency memo before the Gujarat High Court.

Issue:

- Whether the tax authorities were justified in issuing a deficiency memo rejecting the refund application for interest paid under protest without adjudicating the refund claim on merits.



Court Observations

- The Revenue itself submitted before the High Court that the deficiency memo deserved to be quashed and undertook to reconsider the refund application afresh.
- The Court noted the Assessee's reliance on the Gujarat Chamber of Commerce judgment, which held that assignment or transfer of leasehold rights in land constitutes transfer of immovable property and falls outside the scope of "supply" under Sections 7 and 9 of the GST Act.
- The Court observed that rejection of the refund application at the threshold through a deficiency memo was not sustainable in law.
- Accordingly, the deficiency memo was set aside, the refund application was restored, and the authorities were directed to adjudicate the refund claim afresh in accordance with law within three weeks.



Full Judgement: [Meghaaarika Enterprises Private Limited](#)

SNR's Take

This judgment reinforces that refund claims under GST cannot be rejected mechanically through deficiency memos without proper examination on merits. It also reiterates the legal position that assignment of leasehold rights in land may amount to transfer of immovable property, which is outside the scope of GST. The ruling safeguards taxpayer rights by ensuring procedural fairness and mandates reasoned adjudication rather than summary rejection by tax authorities.

4. Intermediary-Based Power Exports Fail Zero-Rating Test under IGST Act

Case of : M/s SEIL Energy India Ltd

Decision by : High Court of Andhra Pradesh

Date of Judgement : 31st December 2025

Facts:

- SEIL Energy India Ltd. (the Petitioner) filed multiple writ petitions seeking refund of accumulated ITC under Section 54 of the CGST Act read with Section 16 of the IGST Act, contending that the electricity supplied to Bangladesh Power Development Board (BPDB) constituted a zero-rated export.
- The supply of electricity occurred under two arrangements:
 - direct supply by SEIL to BPDB,
 - indirect supply routed through Power Trading Corporation India Ltd. (PTC) under a back-to-back contractual arrangement.
- Under the indirect arrangement, PTC had a direct contract with BPDB, while SEIL had a separate contract with PTC. Electricity generated by SEIL was injected into the grid in Andhra Pradesh and wheeled to the delivery point at Bohronpur sub-station, West Bengal, from where it was transmitted to Bangladesh.
- The Revenue denied refund of ITC relating to the supply routed through PTC on the ground that it was not a zero-rated export.

Issue:

- Whether the supply of electricity by SEIL Energy India Ltd. to PTC, for onward supply to BPDB, qualifies as a zero-rated export of goods under Section 16 of the IGST Act, 2017, entitling the Petitioner to refund of accumulated ITC.



Court Observation

- The High Court examined Article 286 of the Constitution, Sections 2(5), 2(6), and 16 of the IGST Act, 2017, and relied upon Supreme Court judgments under Section 5 of the CST Act, including Md. Serajuddin, K.G. Khosla & Co., Indure Limited, and Shanmugha Vilas Cashewnut Factory.
- The Court emphasized that the decisive test is not where the supply occurs, but whether the supply occasioned the export and whether the goods were taken out of India pursuant to that supply. It noted that in the indirect supply arrangement, there were two distinct and interlinked agreements: one between PTC and BPDB, and another between SEIL and PTC.
- Under the SEIL-PTC agreement, delivery of electricity occurred at the Bohronpur sub-station in West Bengal, at which point the supply stood completed within India.
- The Court held that there was no privity of contract between SEIL and BPDB in respect of the indirect supply, and the meetings between the parties did not alter the contractual framework.
- Applying the ratio of Shanmugha Vilas Cashewnut Factory, the Court ruled that a supply made in contemplation of a separate export is itself a distinct domestic supply and does not qualify for the constitutional exemption under Article 286. Consequently, the supply by SEIL to PTC could only be regarded as a "supply for export" and not an "export of goods" per se.
- However, with respect to the electricity supplied directly by SEIL to BPDB, the Court permitted proportional exclusion of domestic turnover while computing refund under Rule 89 of the CGST Rules.
- The Court directed that SEIL may re-submit refund applications treating the supply to PTC as domestic supply, clarified that limitation shall not apply, and directed the authorities to decide the refund expeditiously.

Full Judgement: [SEIL Energy India Ltd](#)

SNR's Take

This judgment clearly explains that under GST law, not every supply connected with an export automatically becomes a zero-rated export. The Court emphasized that there must be a direct link between the supplier and the foreign buyer, supported by a direct contract. When goods are supplied through an intermediary, such supplies are treated as domestic unless they themselves cause the export. The decision highlights the importance of contract terms and the place where delivery is completed.

5. Foreign Patent Filing Fees Treated as Import of Legal Services; GST Payable Under RCM

Case of : Medtrainai Technologies Pvt. Ltd.

Decision by : Authority for Advance Ruling, West Bengal

Date of Ruling : 24th December 2025

Facts:

- Medtrainai Technologies Pvt. Ltd.(Assessee), incurred expenses towards filing patents in foreign jurisdictions such as Japan, the USA, and the UK.
- These filings were carried out through foreign attorneys, and the amounts paid were claimed by the applicant as reimbursements of attorney fees.
- The applicant contended that such payments were not liable to GST, arguing that they were mere reimbursements, that patent filing was not in the course or furtherance of business, and that legal services are exempt under Notification No. 12/2017-CT (Rate).

Issue:

- Whether amounts paid to foreign attorneys for filing patents in foreign jurisdictions constitute import of legal services liable to GST under the reverse charge mechanism (RCM), and whether such payments qualify as reimbursements or are eligible for exemption as legal services.



Court Observations

- The Authority observed that patent filing services availed from foreign attorneys qualify as import of services under Section 2(11) of the IGST Act, with the place of supply being the location of the recipient in India as per Section 13(2).
- The contention that the payments were mere reimbursements was rejected, as the conditions of a “pure agent” under Rule 33 of the CGST Rules were not satisfied—specifically, there was no contractual pure-agent arrangement and the applicant had made advance payments.
- The Authority further held that the exemption for legal services under Notification No. 12/2017-CT (Rate) applies only to advocates enrolled under the Advocates Act, 1961, and does not extend to foreign attorneys.
- The services were classified under SAC 998213 relating to legal documentation and certification services concerning patents and intellectual property rights.
- The Authority also rejected the argument that patent filing is not in the course or furtherance of business, observing that patent protection is intrinsically linked to business activities. It clarified that the supply of services must be examined from the supplier’s perspective, and foreign attorneys undeniably provide such services in the course of their professional business.



Full Judgement: [Medtrainai Technologies Pvt. Ltd](#)

SNR's Take

This ruling reinforces the GST principle that cross-border professional services, even when claimed as reimbursements, can attract tax under the reverse charge mechanism if the statutory conditions for exclusion are not met. The decision provides clarity for Indian businesses engaging foreign professionals, emphasizing the need for careful GST compliance in international transactions.

6. Delayed Filing of LUT/Bond Does Not Bar GST Refund Claims

Case of : M/s Prime Perfumery Works

Decision by : High Court of Karnataka

Date of Ruling : 02nd December 2025

Facts:

- The petitioner (Prime Perfumery Works) had exported goods without payment of tax and subsequently filed a refund claim. The Revenue rejected the refund on the ground that the petitioner had failed to submit a Bond or Letter of Undertaking (LUT) in terms of Rule 96-A of the CGST Rules prior to the export of goods.
- The rejection was made without considering CBIC Circular dated 15 March 2018, which clarified that submission of LUT/Bond prior to export is directory in nature and not mandatory. Despite the respondents permitting the petitioner to file LUT/Bond even after export, the refund was denied.

Issue:

- Whether non-furnishing or delayed furnishing of LUT/Bond prior to export under Rule 96-A of the CGST Rules is a mandatory and incurable defect, thereby justifying rejection of refund claims.



Court Observations

- The Karnataka High Court observed that non-submission or delayed submission of LUT/Bond is not an incurable defect. The Court relied on paragraph 4 of the CBIC Circular dated 15 March 2018, which clearly states that the requirement of furnishing LUT/Bond prior to export is only directory and not mandatory.
- The Court further noted that authorities are empowered to condone delay and allow filing of LUT/Bond on an ex post facto basis after considering the facts and circumstances of each case.
- Since the Revenue failed to consider the said Circular and had itself permitted subsequent filing of LUT/Bond, the rejection of refund was held to be unsustainable. Accordingly, the impugned order was set aside and the matter was remanded for fresh consideration.



Full Judgement: [Prime Perfumery Works](#)

SNR's Take

By recognizing LUT/Bond submission as a curable procedural lapse, the Court has prevented undue hardship to exporters and reaffirmed that tax laws should facilitate trade rather than penalize technical non-compliance. The ruling underscores the binding nature of CBIC circulars on tax authorities and promotes a pragmatic, equitable approach in tax administration.

Important GST Notifications

S.No	Notification Number & Heading	Detailed Summary
1	Notification No. 19/2025 – Central Tax (Rate) Amendment to Notification No. 9/2025-CT (Rate)	Amends the GST rate applicable to tobacco and allied products by inserting additional entries in Schedule II (9%) and Schedule III (20%) of Notification No. 9/2025-CT (Rate). Biris are brought under the 9% slab, while pan masala, unmanufactured tobacco, cigarettes, manufactured tobacco, and nicotine-based inhalation products are placed under the 20% slab (i.e. 40% in total). Further, Schedule VII (14%) (i.e. 28% in total) is omitted. The notification is issued under Sections 9(1) and 15(5) of the CGST Act. Effective from 1 February 2026.
2	Notification No. 03/2025 – Compensation Cess (Rate) Amendment to Notification No. 1/2017-Compensation Cess (Rate)	This notification substitutes the rate of Compensation Cess as “Nil” against large number of entries in the Schedule, primarily relating to tobacco and similar goods. Effective from 1 February 2026.
3	Notification No. 20/2025 – Central Tax Insertion of Rule 31D in CGST Rules, 2017	This notification introduces Rule 31D in the CGST Rules, 2017, prescribing a special valuation mechanism for specified tobacco products based on the declared Retail Sale Price (RSP). It provides a statutory formula for computation of value where tax is chargeable on RSP basis, overriding the general valuation provisions under Section 15. The rule aims to curb undervaluation and bring uniformity in tax assessment for tobacco products. Effective from 1 February 2026.
4	Notification No. 19/2025 – Central Tax Amendment to Notification No. 49/2023-Central Tax	This notification makes consequential amendments to Notification No. 49/2023-CT to align valuation provisions with the newly inserted Rule 31D. It clarifies the meaning of Retail Sale Price, treatment of multiple RSP declarations, and exclusion of tax components for valuation purposes. The amendment ensures consistency between statutory valuation rules and exemption/valuation notifications. Effective from 1 February 2026.
5	Notification No. 19/2024 – State Tax (Delhi) Anti-Profiteering – Section 171 of DGST Act	Issued under the proviso to Section 171(2) of the Delhi GST Act, this notification appoints 01/04/2025 as the cut-off date from which the Delhi Anti-Profiteering Authority shall not accept any new applications seeking examination of whether ITC benefits or tax rate reductions have resulted in commensurate price reduction.
6	Notification No. 21/2024 – State Tax (Delhi) Waiver of Interest and Penalty under Section 128A	This notification specifies the last dates for payment of tax to avail waiver of interest, penalty, or both under Section 128A of the DGST Act. It covers registered persons against whom notices or orders under Sections 73 or 74 have been issued, including cases remanded by appellate authorities. Effective retrospectively from 1 November 2024.

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