

GST BULLETIN

MAY 2025



Delhi, Pune, Bangalore

CONTENT

- Judicial Updates

- Physical Delivery to Recipient Not Mandatory to claim ITC in 'Bill to, Ship to' model. 1
- No Additional ITC Benefit to Railway Contractors from GST Rate like Without Input Regime Change 3
- Manpower Services for Housekeeping, Security, Cooking, etc to Government Hospitals Held Exempt from GST 5
- Patna High Court Upholds 18% GST on Mining Royalty; Confirms Levy is Valid and Not Discriminatory. 7
- Revocation of GST Cancellation Allowed for Legal Heir Post Proprietor's Death. 9
- No ITC allowed on mutual fund subscription and redemption, ITC reversal mandatory 11

- Circulars/ Notifications:

- Circular No. 248/05/2025-GST: CBIC Clarifies Amnesty Scheme under Section 128A of CGST Act, 2017 13

1. Physical Delivery to Recipient Not Mandatory to claim ITC in 'Bill to, Ship to' model.

Case of : M/s Sane Retails Pvt Ltd

Decision by : Patna High Court

Date of Ruling : 11th April 2025

Facts:

- M/s Sane Retails Pvt Ltd (assessee) had instructed its suppliers to deliver goods directly to its customers instead of its own premises, to avoid logistical redundancy.
- Despite the taxes being duly paid and remitted by the suppliers to the government, the tax authorities denied Input Tax Credit (ITC) on the ground that the physical delivery of goods was not made to the assessee.
- The assessee filed a writ petition after failing to get relief through the appellate remedy under Section 107 of the CGST/BGST Act.

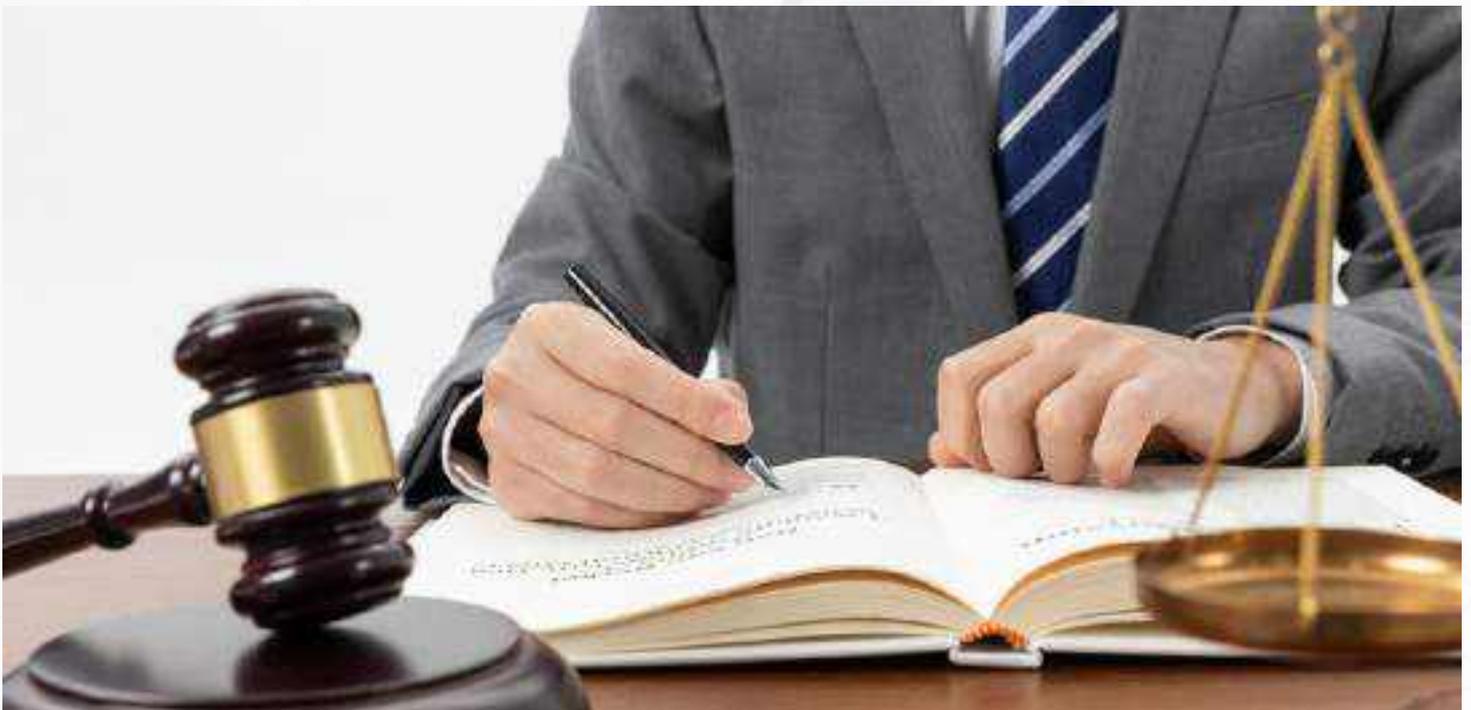


Issue:

- Whether physical delivery of goods to the registered recipient is mandatory under Section 16(2)(b) of the CGST/BGST Act for claiming ITC, particularly in a "bill-to-ship-to" model where goods are delivered directly to the end customer.

High Court Observation

- The Patna High Court held that the CGST Act does not mandate physical receipt of goods at a specific location for ITC eligibility. It emphasized that deemed receipt, including delivery to a third party as per the buyer's instruction, satisfies the condition under Section 16(2)(b).
- The Court rejected the authorities' narrow interpretation, which it held could hinder legitimate trade practices. It relied on the Explanation to Section 16(2)(b) and CBIC Circular No. 241/35/2024-GST dated 31.12.2024, which clarifies ITC availability in "bill-to-ship-to" models.
- The Court also noted that the assessee provided adequate documentary evidence such as tax invoices, e-way bills, payment proofs, and communication records. It distinguished prior case law (e.g., Aastha Enterprises and Ecom Gill Trading) as factually irrelevant to the present matter.



Full Judgement: [Sane Retails Pvt Ltd](#)

SNR's Take

The ruling provides a clear precedent that denial of ITC purely on the basis of physical delivery location, when tax has been paid and all other conditions are met, is legally untenable. Court duly recognised the concept of deemed receipt in "bill-to-ship-to" transactions.

2. No Additional ITC Benefit to Railway Contractors from GST Rate Hike Without Input Regime Change

Case of : M/s Indra Industries

Decision by : Madras High Court

Date of Ruling : 09th April 2025

Facts:

- The case involves a dispute between Railway Contractors and the Integral Coach Factory (ICF), Chennai, regarding the impact of a GST rate increase (from 5% to 12%) on their contracts.
- The contractors, who had quoted prices before the GST hike, sought full reimbursement of the revised GST amount under the statutory variation clause of their agreements.
- ICF contested this, claiming that due to increased ITC (Input Tax Credit) utilization following the rate hike, contractors derived additional benefits which they were obligated to pass on under the General Conditions of Contract.

Issue:

- Whether contractors are entitled to full GST reimbursement under the statutory variation clause despite ICF's claim that the contractors have benefited from increased ITC utilization and were required to pass on that benefit.



High Court Observation

- No additional ITC benefit arose from the GST rate increase since there was no change in input tax rates or ITC eligibility.
- The statutory variation clause justifiably applied, as contractors had quoted prices before the GST hike.
- ITC utilization and availment are legally distinct, ITC is an asset, not a cost.

- ICF's Joint Procedure Order (JPO), which formed the basis of their argument, was neither signed by contractors nor supported by evidence.
- The CA certificate proving no ITC benefit was accrued remained undisputed by ICF.
- In the light of these, the Madras High Court upheld the arbitral awards in favor of the contractors.



Full Judgement: [M/s Indra Industries](#)

SNR's Take

This judgment reinforces the principle that contractors cannot be penalized for tax policy changes that occur after their bids. The Court's reasoning appropriately differentiates between notional benefits of faster ITC utilization and actual economic gains. By upholding the statutory variation clause and rejecting speculative arguments based on unilateral internal orders, the decision promotes contractual fairness and legal clarity under the GST regime.

3. Manpower Services for Housekeeping, Security, Cooking, etc to Government Hospitals Held Exempt from GST

Case of : Quality Property Management Services Pvt Ltd

Decision by : Authority for Advance Ruling Tamil Nadu

Date of Ruling : 20th March 2025

Facts:

- An applicant provided comprehensive facility management services—such as housekeeping, security, electrical and plumbing assistance, laundry, cooking, gardening, carpentry, supervisory, and managerial support—to 54 government hospitals managed by the Directorate of Medical and Rural Health Services (DMRHS), Tamil Nadu.
- These services included the use of certain equipment and consumables, which formed about 5–6% of the total billing. The applicant sought a ruling on whether such services qualified for exemption under GST.

Issue:

- Whether the manpower and facility management services provided to government hospitals under DMRHS qualify as 'pure services' exempt under Entry No. 3 of Notification No. 12/2017-CT (Rate), or as 'composite supplies' eligible for exemption under Entry No. 3A.



AAR Observation

- The Tamil Nadu Authority for Advance Ruling (AAR) held that the services were essential for hospital maintenance and directly linked to the public health function assigned to Panchayats/Municipalities under Articles 243G and 243W of the Constitution.
- Therefore, they are exempt as 'pure services' supplied to a government authority under Entry No. 3. The AAR further clarified that the usage of equipment and consumables during service delivery does not amount to the supply of goods, as these items are consumed in the course of providing the service and not delivered to the recipient.
- Consequently, the transaction does not qualify as a 'composite supply', making Entry No. 3A irrelevant to this case.



Full Judgement: : [Quality Property Management Services Pvt Ltd](#)

SNR's Take

This ruling reinforces the principle that services provided to government bodies, especially those facilitating constitutionally mandated public functions like health care, can be exempt from GST when classified as 'pure services.' The AAR's clear distinction between the usage and supply of consumables ensures clarity in interpreting service contracts involving incidental material use. This is particularly relevant for service providers in the public health sector, as it affirms the availability of GST exemptions for essential support services critical to government hospital operations.

4. Patna High Court Upholds 18% GST on Mining Royalty; Confirms Levy is Valid and Not Discriminatory.

Case of : M/s Broad Son Commodities Pvt Ltd

Decision by : Patna High Court

Date of Judgement : 18th Apr 2025

Facts:

- A batch of writ petitions was filed before the Patna High Court challenging the levy of 18% GST on royalty payments made for mining leases.
- The petitioners contended that such royalty should not be subject to GST or should be taxed at a reduced rate of 5% under the reverse charge mechanism.
- They further argued that the exemption granted to liquor licenses from GST should similarly apply to mining leases. The petitioners also claimed that royalty constitutes a composite charge involving regulatory and service elements and should not be treated purely as consideration for supply of services.

Issue:

- Whether the levy of 18% GST on royalty payments for mining leases is valid under the GST law and whether denying exemption to mining leases (while granting it to liquor licenses) amounts to discrimination. Also, whether royalty is a tax or consideration for service and who has the legislative competence to impose GST on mining leases



High Court Observation

- The Patna High Court upheld the decisions of the Bihar AAR and AAAR, confirming that GST at 18% is applicable on royalty paid for mining rights.
- The Court rejected the argument that granting exemption to liquor licenses but not to mining leases is discriminatory, clarifying that the grant of mineral rights through a lease deed is fundamentally different from a license to sell liquor.
- Citing the 26th GST Council Meeting and the Supreme Court's ruling in Mineral Area Development Authority (MADA), the Court emphasized that royalty is payable only upon the exercise of mineral rights (i.e., extraction or consumption of minerals).
- It also noted that the petitioners never challenged the taxability under heading 9973 before the AAR and thus cannot do so at the writ stage.
- Lastly, the Court dismissed the argument regarding exclusive state authority, holding that Article 246A of the Constitution grants concurrent legislative competence to both Centre and State for imposing GST.



Full Judgement: [M/s Broad Son Commodities Pvt Ltd](#)

SNR's Take

This decision of the Patna High Court reinforces the position that royalty paid under mining leases is subject to GST at 18%, aligning with the GST Council's and AAAR's interpretations. The distinction drawn between liquor licenses and mineral leases highlights the nuanced approach of the Court in recognizing the specific nature and treatment of different transactions under the GST regime.

5. Revocation of GST Cancellation Allowed for Legal Heir Post Proprietor's Death.

Case of : M/s Bhagwati Construction

Decision by : Gujarat High Court

Date of Ruling : 03rd Apr 2025

Facts:

- The assessee was a proprietorship firm engaged in providing scaffolding, dismantling, and related services. Following the demise of the proprietor, the business was taken over by the legal heir, who was unaware of the ongoing GST proceedings.
- During a physical verification of the premises, the Assistant Commissioner, SGST, discovered the death of the proprietor and issued a show cause notice (Form GST REG-17) for cancellation of registration.
- The grounds included non-filing of GST returns for a continuous period of six months and possible registration obtained through fraud or misstatement. The cancellation was carried out ex parte.
- The appeal was filed by the legal heir for revocation, which was rejected on the grounds of limitation.

Issue:

- Whether the legal heir of a deceased proprietor can apply for revocation of GST registration cancellation that was done ex parte due to the demise of the original proprietor.



Court Observations

- The Gujarat High Court observed that the GST registration was cancelled ex parte as no returns were filed and no response was made to the show cause notice after the proprietor's death.
- The legal heir, now managing the business, was unaware of the proceedings. The Court noted that, to regularize the registration with the GST department, and considering the change in business control after the death of the proprietor, the matter required intervention.
- Consequently, the petition was disposed of in favor of allowing the legal heir to pursue revocation.



Full Judgement: [Bhagwati Construction](#)

SNR's Take

This case was decided by HC giving importance to procedural fairness and specific facts and circumstances leading to cancellation of GST registration.

6. No ITC allowed on mutual fund subscription and redemption, ITC reversal mandatory

Case of : M/s Zydus Lifesciences Ltd

Decision by : Gujarat Advance Ruling Authority

Date of Ruling : 25th March 2025

Facts:

- The applicant is a pharmaceutical manufacturer who invests surplus funds from fixed and working capital into mutual funds managed by Asset Management Companies (AMCs).
- The applicant avails input tax credit (ITC) on inputs and input services used for taxable supplies as well as for mutual fund investment activities. Currently, the applicant reverses proportionate ITC on common inputs under Section 17(2) of the CGST Act but contends that such reversal is unnecessary.
- The rationale provided is that mutual fund transactions involve 'money and securities,' which are neither goods nor services and thus fall outside the scope of 'supply' under GST law.

Issue:

- Whether the applicant is required to reverse proportionate ITC on common inputs and input services used for both taxable business activities and mutual fund transactions, considering that securities are neither goods nor services and hence not an exempt supply.



AAR Observation:

- The AAR acknowledged that 'securities' are indeed outside the scope of 'supply' as defined under the GST law.
- However, referencing Sections 16 and 17 of the CGST Act, the AAR held that ITC can only be claimed on inputs and input services used exclusively for business purposes.

- The AAR emphasized that since mutual fund subscription and redemption activities are not considered a supply under GST, ITC attributable to these activities is ineligible.
- It ruled that proportionate ITC on common inputs must be reversed as per Section 17(2). On the matter of redemption, the AAR applied the common parlance understanding and equated it to the sale of mutual fund units back to the AMC, thereby refuting the applicant's argument that it differs from a sale of securities.



Full Judgement: [M/s Zydus Lifesciences Ltd](#)

SNR's Take

This case reinforces the principle that ITC is tightly linked to the nature and purpose of the supply under GST. While the exclusion of securities from the definition of 'supply' is clear, the implication for ITC eligibility is equally important. When inputs or input services are used partly for business (taxable supplies) and partly for activities outside the purview of GST (such as mutual fund transactions), proportionate reversal under Section 17(2) becomes necessary.

Circulars/ Notifications:

1) Instruction No 03/2025-GST: CBIC Notifies Instructions for Processing of GST registration Application

CBIC has notified the instructions regarding the processing of GST registration application. For this, CBIC clarifies the mandatory documents required for registration and issued instructions to GST officer and advise to chief commissioners regarding processing of GST registration.

CBIC through this instruction has clearly specified what documents may or may not be sought by officers during the processing of GST registration applications, directed officers to avoid presumptive queries and provided proper timelines for GST registration application. To read detailed analysis of instructions, please **click here**

Full Read: [Instruction No 03/2025-GST](#)



SNR is a firm of Chartered Accountants offering assurance, tax, accounting and consulting services to its national and international clients across the globe. The firm has its head office at New Delhi with branches at Pune & Bengaluru. SNR has experienced a considerable growth since its inception in 1996 and is empanelled with reputed banks and with the office of the comptroller and auditor general of India. The firm through its team of experts consisting of Chartered Accountants, Company Secretaries and Management professionals provides professional services to a large number of clients viz Companies, Banks and NGO's etc.

OUR LOCATION

DELHI

A-15, Second Floor, Hauz Khas,
New Delhi- 110016
Tel: +91-11 41655801, 41655802

PUNE

Office No. 2A, Gangotri
Complex, 927, Synagogue
Street, Camp, Pune 411004
Ph: +91 20 30492191

BANGALORE

No. 5A, Second Floor, 6th Main,
KHB Colony, Basaveshwaranagar,
Bangalore - 560079
Tel: +91 80 42064178

Disclaimer:

While every care has been taken in the preparation of this Bulletin to ensure its accuracy at the time of publication, SNR & Company assumes no responsibility for any errors which despite all precautions, may be found therein. Neither this bulletin nor the information contained herein constitutes a contract or will form the basis of a contract. The material contained in this document does not constitute/ substitute professional advice that may be required before acting on any matter. All logos and trademarks appearing in the bulletin are the property of their respective owners. The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. Any review, re-transmission, dissemination, or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited.