

GST BULLETIN

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Delhi, Pune, Bangalore

CONTENT

- Judicial Updates

- Consolidated SCNs under GST Not Permissible: Bombay HC Clarifies Legal Position 1
- Blocking of ITC limited to Available Balance: Bombay HC Ruling 3
- Delay in Filing Returns Not Fatal: HC Upholds 5
- No ITC on Leasehold Land Where Facility Built for Own Account 7
- Illegality of Search Does Not Invalidate Evidence for Section 74 9

- Goods and Services Tax Settlement of Funds Rules, 2026 11

- Amendment in Place of Supply for Intermediary Services 11

1. Consolidated SCNs under GST Not Permissible: Bombay HC Clarifies Legal Position.

Case of : Vidarbha Nickel Limited

Decision by : Bombay High Court

Date of Ruling : 27th March 2026

Facts:

- The Department issued a consolidated Show Cause Notice (SCN) under Section 74 of the CGST Act to Vidarbha Nickel Limited.
- The SCN covered multiple financial years (FY 2018–19 to 2020–21) alleging fraudulent availment of Input Tax Credit (ITC).
- The assessee challenged the validity of such a consolidated SCN on the ground that GST law requires year-wise/period-wise assessment and limitation.

Issue:

- Whether the Department can issue a single consolidated SCN for multiple financial years in cases involving alleged fraudulent ITC.
- Whether limitation under Section 74 can be applied collectively across years or must be computed separately for each financial year/tax period.



Court Observation

- GST law is structured around distinct tax periods, and each financial year is independent for assessment and limitation purposes.
- Section 74 prescribes the time-limit for issuance of SCN with reference to the due date of annual return for each financial year, not cumulatively.
- Issuing a consolidated SCN for multiple years is not permissible, even in cases of alleged fraud.
- Such consolidation:
 - Collapses separate limitation periods,
 - Hampers the taxpayer's ability to respond effectively, and
 - Is contrary to the statutory scheme of GST.
- It rejected reliance on contrary Delhi High Court rulings such as Mathur Polymers Technosys Integrated Solutions Pvt. Ltd. stating "*Dismissal of SLP by the Supreme Court in limine does not amount to merger on merits*".
- Accordingly, the SCN was quashed, with liberty to issue fresh year-wise notices as per law and limitation.

Full Judgement: [Vidarbha Nickel Limited](#)

SNR's Take



This judgment reinforces a critical procedural safeguard under GST—that each financial year is a separate assessment unit, even in cases involving allegations of fraud. While the Department may be justified in invoking extended limitation under Section 74, it cannot bypass the statutory framework by issuing omnibus notices covering multiple years. The ruling strengthens taxpayer rights by ensuring clarity, fairness, and proper opportunity of defense, and also highlights the importance of strict adherence to limitation provisions.

2. Blocking of ITC limited to Available Balance: Bombay HC Ruling

Case of : Hemang Bipin Varaiya

Decision by : Bombay High Court

Date of Ruling : 18th March 2026

Facts:

- The assessee, Hemang Bipin Varaiya, is engaged in the manufacture of copper and brass utensils under the registered brand "CUBRAL."
- The Revenue authorities issued a Show Cause Notice (SCN) proposing to block Input Tax Credit (ITC) amounting to ₹4.82 crore under Rule 86A of the CGST Rules, 2017.
- An order was passed to block ITC in the Electronic Credit Ledger (ECL).
- However, at the relevant time, only ₹43,19,259/- was available as a positive balance in the ECL, while the remaining amount effectively resulted in negative blocking.
- The assessee challenged the order on grounds of violation of natural justice and improper exercise of powers under Rule 86A.

Issue:

- Whether ITC can be blocked under Rule 86A when there is no sufficient balance available in the Electronic Credit Ledger.
- Whether negative blocking of ITC (i.e., blocking beyond available credit) is legally permissible.
- Whether the impugned order violated principles of natural justice and exceeded statutory powers.



Court Observation

- The Bombay High Court held that Rule 86A permits blocking only of ITC that is actually available in the Electronic Credit Ledger.
- It categorically stated that negative blocking is impermissible, as the rule presupposes the existence of available credit.
- The Court observed that if no balance (or negative balance) exists in the ECL, there is nothing to block, and hence powers under Rule 86A cannot be exercised.
- However, the Court clarified that blocking of ITC to the extent of available positive balance is valid, especially during the pendency of investigation.
- On facts, since ₹43,19,259/- was available, the Court upheld blocking to that extent. The remaining blocked amount of ₹4,38,80,741/- was quashed as being beyond jurisdiction.

Full Judgement: [Hemang Bipin Varaiya](#)



SNR's Take

This judgment provides important clarity on the scope and limits of Rule 86A powers. It strikes a balance between protecting revenue interests and preventing arbitrary action by tax authorities. By disallowing negative blocking, the Court ensured that authorities do not create artificial liabilities or overreach statutory boundaries. At the same time, it recognizes the legitimacy of blocking available ITC during investigation.

3. Delay in Filing Returns Not Fatal: HC Upholds

Case of : Jeevach Coating

Decision by : Bombay High Court

Date of Ruling : 18th March 2026

Facts:

- The assessee, Jeevach Coating, had its GST registration cancelled due to non-filing of returns for a continuous period of six months. The cancellation was made with retrospective effect.
- The assessee filed an appeal against the cancellation order; however, the same was rejected by the Appellate Authority on the ground of limitation under Section 107, as the delay exceeded the condonable period.
- The assessee contended that the delay in filing returns and appeal was due to bona fide reasons, including personal constraints.
- It was also argued that the cancellation order was non-speaking and passed without providing a proper opportunity of being heard, violating principles of natural justice.

Issue:

- Whether GST registration can be cancelled despite bona fide reasons for non-filing of returns.
- Whether procedural delay (in filing appeal) can override substantive rights of the assessee.
- Whether the High Court can grant relief in cases where the Appellate Authority lacks power to condone delay beyond the prescribed period.



Court Observations

The Court held that bona fide reasons for non-filing of returns should not result in denial of the fundamental right to carry on business through cancellation of registration.

- It emphasized that procedural delays should not override substantive rights, especially when business continuity is at stake.
- The Court noted that cancellation of GST registration has serious civil consequences and must follow principles of natural justice, including proper hearing and reasoned orders.
- It observed that continued cancellation is prejudicial not only to the assessee but also to the Revenue, particularly where tax dues can be paid or regularised.
- While acknowledging that the Appellate Authority rightly lacked the power to condone delay beyond statutory limits, the Court held that writ jurisdiction can be invoked to provide relief in appropriate cases.
- Accordingly, the Court quashed both the cancellation order and the appellate order, directing restoration of registration within two weeks and allowing the assessee two months to comply with statutory requirements.

Full Judgement: [Jeevach Coating](#)

SNR's Take



This judgment reinforces a progressive and balanced approach in GST administration, where procedural technicalities are not allowed to defeat substantive rights. The ruling serves as an important precedent for taxpayers facing harsh consequences due to procedural lapses, emphasizing the need for a fair, reasonable, and business-friendly tax regime.

4. No ITC on Leasehold Land Where Facility Built for Own Account

Case of : Inox Air Products Private Limited

Decision by : Tamil Nadu AAAR

Date of Judgement : 18th March 2026

Facts:

- The applicant, Inox Air Products Pvt. Ltd., acquired leasehold rights through assignment from India Pistons Ltd., which originally held a 99-year lease from SIPCOT.
- The assignment pertained to 5 acres of land (out of 15.34 acres) along with existing shed/superstructures, for the unexpired period of 72 years.
- The purpose of acquisition was to set up a manufacturing facility—an Air Separation Unit (ASU)—for production of industrial and medical gases.
- GST was charged by the assignor on the transfer of leasehold rights, and the applicant claimed Input Tax Credit (ITC) on the same.
- The AAR denied ITC, and the matter was appealed before the AAAR.

Issue:

- Whether ITC is admissible on GST paid for assignment of leasehold rights of land with existing structures.
- Whether such transaction falls within the restriction under Section 17(5)(d) of the CGST Act.
- Whether the ASU qualifies as “plant and machinery” or constitutes immovable property.
- Whether the activity amounts to “construction” on own account.



AAR Observations

- The AAAR upheld the AAR ruling and denied ITC under Section 17(5)(d).
- The property acquired was not bare land but included existing shed/superstructures. The term “construction” under Section 17(5) includes not only new construction but also additions or alterations to existing structures.
- The assignment of leasehold rights was intrinsically linked to enabling construction of the manufacturing facility. The construction was undertaken on the applicant’s own account for business use.
- The long lease tenure of 72 years indicated permanent beneficial enjoyment of the property. The ASU, though comprising multiple components, was immovable in nature and not marketable as a standalone apparatus.
- The facility could not qualify as “plant and machinery” since it formed part of a larger immovable setup supporting manufacturing operations.
- Accordingly, both conditions of Section 17(5)(d) were satisfied, Goods/services used for construction of immovable property and such property not qualifying as plant and machinery

Full Judgement: [Inox Air Products Private Limited](#)

SNR’s Take



This ruling reinforces a strict interpretation of ITC restrictions under Section 17(5)(d), especially in cases involving long-term leasehold land and industrial infrastructure. It highlights that even indirect or enabling transactions (like assignment of lease rights) can be treated as part of “construction” when linked to setting up an immovable facility.

5. Illegality of Search Does Not Invalidate Evidence for Section 74

Case of : Vigneshwara Transport Company

Decision by : Karnataka High Court

Date of Ruling : 11th March 2026

Facts:

- A search and seizure action under Section 67 of the CGST Act was conducted by the Mangaluru Commissionerate, which allegedly did not have jurisdiction over the assessee.
- During the search, documents indicating tax evasion (such as manipulation of invoices, e-way bills, and clandestine removal of goods) were discovered.
- The information collected was shared with the Bengaluru Commissionerate, which had jurisdiction over the assessee.
- Based on such material, proceedings under Section 74 were initiated by the Bengaluru Commissionerate by issuing a Show Cause Notice (SCN).
- The Single Bench had earlier held that since the search itself was conducted without jurisdiction, the SCN based on such material was invalid and based on "borrowed satisfaction."
- The Revenue challenged this decision before the Karnataka High Court.

Issue:

- Whether material gathered during a search conducted by an officer lacking jurisdiction under Section 67 can be used by the proper officer for initiating proceedings under Section 74.
- Whether an SCN issued under Section 74 based on such material is invalid due to alleged illegality in the search proceedings.
- Whether reliance on material collected by another Commissionerate amounts to "borrowed satisfaction."



Court Observation

- The High Court held that there is no express bar under Section 67 or Section 74 of the CGST Act prohibiting the use of material gathered during search proceedings, even if such proceedings are alleged to be illegal.
- It observed that in cases involving coordinated investigations across Commissionerates, it is neither practical nor legally required to restrict proceedings only to material collected within territorial jurisdiction.
- The Court clarified that Section 74 is an independent adjudicatory mechanism and is not dependent on the validity of proceedings under Section 67.
- It emphasized that relevant material can be relied upon irrespective of the jurisdiction of the officer who collected it, as long as principles of natural justice are followed.
- The Court relied on the Supreme Court ruling in the Pooran Mal case, holding that evidence obtained even through illegal search is not automatically inadmissible, as exclusion of evidence is not a strict rule.
- Since the assessee is provided all materials forming the basis of the SCN, principles of natural justice are satisfied, and interference at the SCN stage is premature.
- Accordingly, the High Court set aside the Single Bench ruling and upheld the validity of the SCN issued under Section 74.

Full Judgement: [Vigneshwara Transport Company](#)



SNR's Take

This judgment reinforces a crucial principle in GST litigation that substantive evidence takes precedence over procedural irregularities in investigation. The ruling provides significant support to the tax authorities in combating tax evasion, especially in cases involving multi-jurisdictional operations and coordinated investigations. However, this approach may raise concerns for taxpayers regarding safeguards against jurisdictional overreach, making it essential for authorities to exercise such powers cautiously and transparently.

Goods and Services Tax Settlement of Funds Rules, 2026

The Government has introduced the Goods and Services Tax Settlement of Funds Rules, 2026 to establish a comprehensive framework for the systematic settlement and apportionment of tax revenues between the Centre and the States. These rules primarily lay down detailed procedures for reporting, reconciliation, and transfer of funds arising from inter-tax adjustments and utilisation of input tax credit, ensuring seamless coordination among various authorities through the GSTN system. By prescribing standardized formats, timelines, and electronic reporting mechanisms, the rules aim to enhance transparency, accuracy, and efficiency in the settlement process. Overall, this reform strengthens fiscal discipline, minimizes discrepancies, and facilitates timely distribution of revenues, thereby improving the robustness of the GST ecosystem.

Amendment in Place of Supply for Intermediary Services

Pursuant to the recommendations of the GST Council, a significant amendment has been made in the Place of Supply (POS) provisions for intermediary services, effective 30 March 2026.

- The earlier provision under Section 13(8)(b) of the IGST Act, 2017 (POS = location of supplier) has now been omitted.
- The POS for intermediary services is now aligned with the location of the recipient.

This marks a fundamental shift in taxability and aligns GST with the destination-based taxation principle.

Key changes

Particulars	Up to 29.03.2026	From 30.03.2026
POS for Intermediary Services	Location of Supplier	Location of Recipient
Services to Foreign Clients	Taxable in India and was not treated as export.	May qualify as Export, provided all other conditions of export fulfils. If supply qualifies as export, Supplier have to file LUT if he wants supply without GST
Services from Foreign Supplier	Not treated as Import	Treated as Import (RCM applicable). IGST payment liability on recipient in India and ITC available subject to eligibility (Sections 16 & 17)
Important Clarification		
<ul style="list-style-type: none"> • The definition of "intermediary" [Section 2(13) of IGST Act] remains unchanged • Only the Place of Supply provision has been amended 		

This amendment is a welcome change, resolving long-standing industry concerns and aligning GST with international taxation principles.

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