

# GST BULLETIN

MAY 2026



**Delhi, Pune, Bangalore**

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## 1. Administrative delay no defence for Denial of Interest on late Refund

**Case of :** Charan Singh Surjit Singh Gujral

**Decision by :** Bombay High Court

**Date of Ruling :** 15<sup>th</sup> April 2026

### Facts:

- The assessee, an exporter of mobile accessories, exported goods during December 2018 to January 2019 under multiple shipping bills and paid IGST on such exports.
- The refund of IGST was withheld by the department due to investigation by Special Intelligence and Investigation Branch alleging overvaluation, leading to confiscation of goods and denial of export benefits through an Order-in-Original.
- However, the Order-in-Original was set aside by the Commissioner (Appeals) on grounds of violation of natural justice and lack of evidence. This was further upheld by CESTAT and accepted by the Revenue. Consequently, the assessee's entitlement to refund stood confirmed and goods were released.
- Despite this, the refund was significantly delayed and was eventually granted only during the pendency of the writ petition. The dispute before the High Court was limited to the grant of interest on such delayed refund.

### Issue:

- Whether interest under Section 56 of the CGST Act is mandatorily payable on delayed refund of IGST beyond 60 days, even when the delay is attributable to administrative reasons or prior investigation proceedings.



## Court Observation

- The Bombay High Court held that interest under Section 56 is mandatory where refund is not granted within 60 days from the date of application. It rejected the department's contention that interest is not payable in cases of administrative delay or bona fide statutory processes.
- The Court strongly criticized the department's reply as mechanical and contrary to law, noting that it ignored binding appellate orders and statutory provisions. It observed that once the appellate proceedings attained finality (with CESTAT order), the refund became due and payable.
- The Court further clarified that
  - Shipping bills constitute valid refund applications.
  - Once refund entitlement is crystallized, delay beyond 60 days automatically attracts interest.
  - Administrative delays or absence of malafide intent are not valid grounds to deny statutory interest.
- The Court also emphasized that delays in refund adversely affect exporters' working capital and are contrary to ease of doing business principles. Accordingly, it directed the department to pay interest within four weeks.

## Full Judgement: [Charan Singh Surjit Singh Gujral](#)

### SNR's Take



This judgment reinforces the strict and automatic nature of interest liability under Section 56, leaving little room for departmental discretion. It sends a clear message that procedural delays, investigations, or internal administrative reasons cannot override statutory mandates once refund eligibility is established. From a practical standpoint, this ruling is highly beneficial for exporters, as it safeguards their liquidity and ensures accountability on tax authorities.

## 2. Section 128A Relief: HC holds Time limit as Directory and not Mandatory

**Case of :** Sri Laxmi Borewell Agencies

**Decision by :** Karnataka High Court

**Date of Ruling :** 17<sup>th</sup> April 2026

### Facts:

- The assessee, Sri Laxmi Borewell Agencies, engaged in borewell drilling works, was audited for FY 2017–2020. During audit, common ITC attributable to exempt and taxable supplies was identified.
- The assessee accepted the findings and paid approx. ₹62.46 lakhs via DRC-03 but did not pay interest. Consequently, a Show Cause Notice was issued, and an Order-in-Original under Section 73 confirmed interest demand of ₹48.25 lakhs.
- However, this order was neither uploaded on the GST portal nor communicated to the assessee. Later, Section 128A (introduced w.e.f. November 1, 2024) allowed waiver of interest/penalty subject to conditions.
- Upon becoming aware of the order, the assessee filed an application for waiver (Form GST SPL-02) on July 18, 2025. The department rejected the application solely on the ground that it was filed beyond the prescribed 3-month time limit (from March 31, 2025).

### Issue:

- Whether the prescribed time limit for filing an application under Section 128A for waiver of interest is mandatory (strict) or merely directory (flexible), and whether delay alone can justify rejection of such application.



## Court Observation

- The Karnataka High Court held that the time limit prescribed for filing the waiver application is directory and not mandatory. The Court emphasized that the provision uses the word “may”, indicating discretion rather than compulsion.
- It ruled that the department erred in interpreting the provision as imposing a strict time-bound obligation. The rejection of the application solely on limitation was held to be untenable and unlawful.
- Accordingly, the Court quashed the rejection order (FORM GST SPL-07) and directed the department to reconsider the waiver application.
- It also directed that the SCN, DRC-01 summary, and Order-in-Original be kept in abeyance until such reconsideration.

## Full Judgement: [Sri Laxmi Borewell Agencies](#)



### SNR's Take

This judgment reinforces a taxpayer-friendly interpretation of beneficial provisions like Section 128A. By treating the time limit as directory, the Court ensures that procedural technicalities do not defeat substantive relief, especially in cases where delay is caused due to lack of communication by the department. The ruling highlights that amnesty or waiver schemes should be implemented with a liberal approach to achieve their intended purpose.

### 3. Delay in Filing Returns Not Fatal: HC Upholds

**Case of :** Allen Career Institute Private Limited

**Decision by :** Rajasthan Advance Ruling

**Date of Ruling :** 25<sup>th</sup> March 2026

#### Facts:

- Allen Career Institute Private Limited provides online coaching/training services through live and recorded digital platforms.
- The Applicant contended that such services qualify as OIDAR (Online Information and Database Access or Retrieval services) under HSN 998433.
- However, the Applicant had been consistently classifying its services as “Commercial Training and Coaching Services” under HSN 999293 in its returns and invoices.
- The services included live classes, AI-based doubt solving, structured courses, mock tests, and dispatch of physical study material.
- The issue also involved determination of tax liability, especially for students located outside Rajasthan but receiving services from within the state.

#### Issue:

- Whether the online coaching services provided by the Applicant qualify as:
  - OIDAR services (HSN 998433), or
  - Commercial Training and Coaching Services (HSN 999293) under GST.
- Additionally, whether such services should be treated as inter-state (IGST) or intra-state (CGST + SGST) supply.



## Court Observations

The Rajasthan Authority for Advance Ruling held that:

- The Applicant's services are not purely automated or technology-driven, but involve significant human interaction and personalized guidance.
- Features like live sessions, doubt-solving, mock tests, and physical material indicate active coaching, not mere content access. OIDAR applies only to services that are fully automated and dependent on IT, with minimal human intervention.
- The Applicant itself had been consistently treating the services as commercial coaching in its compliance records. Therefore, the services are correctly classifiable under HSN 999293 (Commercial Training and Coaching Services).
- Since both location of supplier and place of supply are in Rajasthan, it qualifies as an intra-state supply under Section 8(2) of the IGST Act.
- Accordingly, CGST @ 9% and SGST @ 9% are applicable, even if students are located outside the state.

## Full Judgement: [Allen Career Institute Private Limited](#)

### SNR's Take



This ruling reinforces an important distinction under GST law that not all online services qualify as OIDAR. The classification depends on the nature of service delivery, particularly the level of human involvement. Where services are interactive, guided, and outcome-oriented, they are more appropriately treated as training or professional services, even if delivered digitally. The decision also highlights that place of supply provisions can override intuitive assumptions about online services being inter-state, thereby impacting tax liability.

## 4. Bogus Supplier Tag alone not enough to Block ITC

**Case of :** M/s Icon Ply

**Decision by :** Kerela High Court

**Date of Judgement :** 01<sup>st</sup> April 2026

### Facts:

- The assessee, Icon Ply, had its Electronic Credit Ledger (ECrL) blocked by the GST authorities under Rule 86A of the CGST Rules, 2017.
- The action was taken on the basis that certain suppliers of the assessee were allegedly “bogus,” primarily due to cancellation of their GST registrations.
- The blocking was done without a detailed examination of the assessee’s transactions, despite the assessee furnishing supporting documents such as GSTR-2B and e-way bills.
- The authorities relied largely on information received from GST authorities of other States rather than conducting an independent verification.
- The assessee challenged the action, arguing lack of “reason to believe” and absence of proper inquiry before invoking Rule 86A.

### Issue:

- Whether Rule 86A can be invoked to block the Electronic Credit Ledger merely on suspicion or third-party information (such as suppliers being declared bogus), without independent verification and adjudication under Sections 73/74 of the CGST Act.



## Court Observations

- The Kerala High Court held that Rule 86A is a preventive provision and cannot substitute adjudication proceedings under Sections 73 and 74.
- It emphasized that Rule 86A should be invoked only in exceptional cases where there is clear evidence of misuse of Input Tax Credit (ITC).
- Mere suspicion or information from another State authority is not sufficient to invoke Rule 86A. The officer must form an independent and personal "reason to believe" based on proper examination of facts and documents.
- The Court noted that the authorities failed to evaluate documents like GSTR-2B and e-way bills and did not establish that transactions were non-genuine.
- Blocking of ECrL without proper inquiry was held to be arbitrary and not in accordance with law. Accordingly, the Court directed immediate unblocking of the Electronic Credit Ledger.

## Full Judgement: [M/s Icon Ply](#)



### SNR's Take

The judgment protects taxpayers from arbitrary blocking of credit based solely on third-party allegations or system-driven flags. It also underscores the importance of due process and independent application of mind by tax officers ensuring that genuine businesses are not disrupted without proper verification. Going forward, this decision will act as a strong safeguard against mechanical invocation of Rule 86A and push authorities to rely on proper adjudication mechanisms under Sections 73/74 instead of taking shortcut measures.

## 5. Bombay HC draws line between 'commercial activity' and 'Statutory Functions' under GST

**Case of :** University of Mumbai

**Decision by :** Bombay High Court

**Date of Ruling :** 27<sup>th</sup> April 2026

### Facts:

- University of Mumbai (Assessee) collected affiliation fees from colleges for granting affiliation under the Maharashtra Public Universities Act, 2016.
- GST authorities issued a demand of approx. ₹16.90 crores under Section 74 of the CGST/MGST Acts for FY 2017-18 to 2022-23. The Revenue treated affiliation fees as consideration for "supply" of services under Sections 7 and 9 of the CGST Act.
- The Assessee contended that affiliation is a statutory regulatory function, not a commercial activity, and hence outside GST.
- Revenue argued that the activity involves continuous services for consideration and falls within the wide ambit of "business."

### Issue:

- Whether affiliation fees collected by a university from colleges constitute "consideration" for a "supply" of services in the course or furtherance of business under Section 7(1)(a) of the CGST Act, thereby attracting GST.



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## Court Observation

- The Bombay High Court held that granting affiliation is a statutory function carried out within a legal framework, not a business activity.
- It observed that the process involves regulatory responsibilities like infrastructure verification, expert evaluation, and ensuring compliance with educational standards.
- The Court clarified that “furtherance of business” under Section 7(1)(a) cannot be read in isolation and must align with commercial activities like sale, transfer, lease, etc.
- It rejected the Revenue’s interpretation, stating that treating such statutory functions as business would defeat the intent of the legislation.
- The Court emphasized that affiliation fees are not consideration for a supply but are incidental to regulatory duties. It relied on precedents (e.g., Rajiv Gandhi University of Health Sciences, Goa University, Rajasthan Technical University).
- It held that the demand and show cause notice were without jurisdiction and quashed them. It also reiterated that CBIC circulars cannot override statutory provisions.

## Full Judgement: [University of Mumbai](#)

### SNR’s Take



This judgment reinforces a crucial GST principle that not all fee-based activities amount to “supply”, especially when performed under statutory mandate. The ruling draws a clear distinction between regulatory functions and commercial activities, preventing an over-expansion of GST into sovereign or quasi-sovereign domains like education regulation. Overall, the decision promotes a more balanced and principled application of GST law, particularly in cases involving statutory bodies.

## 6. SCN without details held invalid by Punjab and Haryana High Court

**Case of :** Abbott Healthcare Private Limited

**Decision by :** Punjab and Haryana High Court

**Date of Ruling :** 02<sup>nd</sup> April 2026

### Facts:

- In the case of Abbott Healthcare Private Limited vs Excise and Taxation Commissioner, a Show Cause Notice (SCN) was issued under Section 73 of the CGST Act.
- The SCN alleged multiple discrepancies such as excess Input Tax Credit (ITC) availment, ITC mismatches (including GSTR-9 vs GSTR-2A), excess ITC under ISD, short payment under RCM, and undischarged tax liability.
- The notice was primarily based on a special audit and broadly referred to figures from returns like GSTR-9 without providing detailed workings or basis.
- Additionally, the SCN was incorrectly stated to be based on CAG audit, whereas it was actually based on an internal GST department audit.

### Issue:

- Whether an SCN issued under Section 73 without specific details, reasoning, or supporting basis for allegations is legally valid.



## Court Observation

- The Punjab & Haryana High Court held that the SCN was vague, non-specific, and lacked essential details required under law.
- It emphasized that Section 73(3) mandates that the notice must clearly provide “details” of tax not paid, short paid, or ITC wrongly availed.
- The Court observed that merely listing discrepancies without explaining the basis or computation fails to inform the assessee of the exact allegations.
- It further noted that the incorrect reliance on audit grounds weakened the very foundation of the SCN. Concluding that such a notice is an “empty formality” and violates principles of natural justice, the Court quashed the SCN.

## Full Judgement: [Abbott Healthcare Private Limited](#)

### SNR's Take

This ruling reinforces a critical safeguard for taxpayers—that a Show Cause Notice cannot be a mere procedural step but must meaningfully communicate the department's case. Vague and template-based notices undermine the taxpayer's right to defend and lead to unnecessary litigation. The judgment pushes tax authorities toward greater accountability and precision while drafting SCNs, ensuring that enforcement actions are backed by clear reasoning and evidence rather than broad allegations.

## Introduction of Invoice Management System (IMS) Offline Tool

GSTN has introduced an MS Excel-based Invoice Management System (IMS) Offline Tool on the GST Portal to streamline compliance and facilitate efficient handling of invoices, both individually and in bulk. The IMS, operational since October 2024, now department has introduced its offline utility.

The offline utility offers key functionalities such as downloading IMS data in JSON format, importing it into the tool, recording actions along with remarks, validating entries, and re-uploading the updated data to the portal. It replicates the validations and business rules of the IMS dashboard while also providing filtering features for better data management.

Further, any uploaded data updates or replaces existing records for the same GSTIN on an incremental basis, ensuring a structured and efficient reconciliation process. Assessee don't need to rework or re-upload all invoices every time and can just update the changed ones, which makes reconciliation faster, more accurate, and less error-prone.



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