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Newsletter: Indirect Taxation

Bhatia & Bhatia
CHARTERED ACCOUNTANTS



GST 2.0 – A Festive Reform for Businesses & Consumers

Welcome to the latest edition of our Monthly Indirect Tax Alert, where we bring you a focused roundup of major GST reforms, regulatory updates, and recent judicial developments. This month is particularly significant with the announcement of GST 2.0, a landmark step aimed at simplifying India's indirect tax framework and easing compliance for businesses and consumers alike.

In this issue, we cover:

- Key highlights of the GST 2.0 reform and its expected impact on markets.
- Important advisories and process changes issued by the GSTN.
- Noteworthy judicial pronouncements providing clarity on compliance and enforcement.

Our objective remains to present complex updates in a simplified, actionable manner to help businesses, professionals, and stakeholders stay compliant and plan effectively.

Let's dive into this month's updates.

1. GST 2.0: Diwali Gift for Consumers & Markets!

Prime Minister Narendra Modi has announced the launch of GST 2.0, describing it as a Diwali gift aimed at simplifying India's indirect tax structure and easing the burden on consumers and businesses alike.

▶ Key Highlights

- The Group of Ministers (GoM) has unanimously approved the overhaul to move from a four-slab GST structure to just two main rates: 5% and 18%, plus a 40% slab reserved for sin and luxury goods. Slabs of 12% and 28% are being eliminated.
- This restructured model is expected to significantly ease compliance, improve transparency, and bring down prices on everyday essentials. The Ec
- Fiscal concerns remain: states have flagged potential revenue shortfalls and are calling for detailed impact assessments and fair compensation mechanisms.
- Analysts and businesses are optimistic. The reforms are projected to boost GDP (~0.6%) and invigorate sectors like consumer durables, automobiles, insurance, and real estate.
- Companies such as AC, TV, and automobile manufacturers may soon see notable savings—a ₹5,000 reduction on a ₹50,000 AC, or ₹1.5 lakh off a ₹10 lakh car.
- The GST Council is considering exempting health and life insurance premiums for individuals, potentially leading to significant relief for consumers.
- The GST Council may convene as early as the first week of September to fast-track enactment ahead of Diwali.

Industry leaders, particularly MSMEs, applaud the clarity and predictability this brings. Smooth implementation and timely GST refunds are essential to sustain the festive momentum and prevent demand lag. With the GST Council poised to deliberate in early September, the road to a fiscally brighter, consumption-led future is becoming clearer.

Positioned as a "Double Diwali bonus," GST 2.0 aims not only to bring lower prices and reduced tax complexity for consumers but also to stimulate growth and improve compliance for businesses. With full implementation expected before Diwali, this next-generation GST reform marks a pivotal step toward a simpler, more transparent indirect tax regime.

KEY HIGHLIGHTS OF GST 2.0

RATE RATIONALISATION



Moving towards
a two-slab structure

EASE OF REGISTRATION



Addressing
registration-
related hurdles

INVERTED DUTY STRUCTURE FIX



Encouraging
domestic
manufacturing

RESOLUTION OF CLASSIFICATION DISPUTES



Ensuring
predictability

2. Other developments in Goods & Services Tax

A. Appeal Filing Enabled Against Waiver Application Rejection (SPL-07)

The GSTN portal now allows taxpayers to file appeals (Form APL-01) against rejection orders issued under the waiver scheme (SPL-07), in accordance with Section 128A of the CGST Act, 2017.

Navigation Path:

Services > User Services > My Applications > Appeal to Appellate Authority > New Application
Select "Waiver Application Rejection Order" as the Order Type and proceed with relevant details.

⚠ Note: Appeal withdrawal functionality is not available for such cases. Taxpayers are advised to exercise due care before filing.

Additionally, taxpayers who wish to restore their original appeal (withdrawn earlier for waiver) can do so by submitting an undertaking under the "Orders" section within the waiver application folder.

(Source: GSTN Portal dated 16.07.2025)

B. Advisory: Enhanced Data Security for ASP-Connected Taxpayers

GSTN has announced upcoming security enhancements for taxpayers using Application Suvidha Providers (ASPs), including:

- **Real-time Email/SMS alerts** upon successful OTP-based consent given to ASPs.
- Alerts to include: ASP & GSP name, date/time, and validity of consent.
- **Upcoming Feature:** View and revoke ASP/GSP access via the GST dashboard.
Detailed advisories on activation timelines will be released shortly.

(Source: GSTN Advisory dated 17.07.2025)

C. Auto-Population of Table 3.2 in GSTR-3B from July 2025

GSTN has reiterated that starting from **July 2025**, inter-State supply details in **Table 3.2 of GSTR-3B** will once again be **non-editable**.

Taxpayers must ensure accuracy in GSTR-1/IFF submissions, as any corrections to Table 3.2 will now only be possible via:

- Amendments in **GSTR-1A**, or
- **Subsequent period filings** in GSTR-1/IFF.

This change aligns with earlier communication (dated 11.04.2025), temporarily deferred for convenience. Refer to GSTN's FAQs for detailed guidance.

(Source: GSTN Advisory dated 19.07.2025)

D. Clarification: GSTR-3A Notices to Cancelled Composition Taxpayers

Notices in Form **GSTR-3A** have been inadvertently issued to some cancelled Composition Dealers for non-filing of GSTR-4, due to a technical glitch.

GSTN clarified that these notices may be ignored if:

- The taxpayer has already filed the return, or
- The registration was cancelled **before FY 2024-25**.

The issue is under resolution, and affected taxpayers may also raise grievances via the GST Self-Service Portal.

(Source: GSTN Advisory dated 20.07.2025)

E. GSTAT e-Portal User Manual (Version 2.6) Released

The GST Appellate Tribunal (GSTAT) has released **User Manual v2.6**, offering a comprehensive, step-by-step guide for filing appeals, applications, and related submissions through its e-portal.

Key highlights of the manual include:

- Registration process for Taxpayers, Tax Officials, and Authorized Representatives
- Filing appeals and applications
- Uploading documents and additional submissions
- Handling defective submissions and cross-objections
- Access to case information and transaction history
- This initiative promotes a **streamlined, paperless litigation experience** and ensures procedural clarity for all stakeholders.

Source: www.gstat.gov.in

F. Clarification on Table 12A & 12B of GSTR-1

GSTN, through its technology partner Infosys, has clarified filing requirements for **Table 12A (HSN Summary for B2B)** and **Table 12B (HSN Summary for B2C)** of **Form GSTR-1**:

- **Table 12B** is **optional**; leaving it blank or entering dummy values will not affect return filing.
- Taxpayers with **only B2C supplies** and no B2B entries are advised to create **one dummy entry in Table 12A** using any valid HSN code and UQC, with all other fields marked as "0" to bypass system errors.
- A system update is underway to permanently resolve this issue and simplify the GSTR-1 filing experience for B2C-only filers.

Source: GSTN Portal Advisory dated 14.07.2025



Latest Judicial Pronouncements

3. Recent Judicial Pronouncements

A. No Penalty under GST without Proof of Intent to Evade Tax.

Facts of the Case: M/s Shakuntalam Associates transported goods within Delhi, accompanied by a valid tax invoice, e-way bill, and bilty. The e-way bill, however, omitted the transporter's name, though it included all other relevant details like the vehicle number and destination. During transit, the consignment was intercepted and seized under Section 129(3) of the CGST/UP-SGST Act on the basis that the transporter's name was missing and the driver's statement claimed the destination was Ghaziabad. The petitioner explained that the goods were only being temporarily halted to consolidate a full truckload, and the actual destination was Delhi. Despite documentary evidence supporting this, both the adjudicating and appellate authorities upheld the penalty.

Issue Involved: Does a mere omission of the transporter's name in the e-way bill, coupled with a brief stoppage en route, justify imposing penalty under Section 129 when there is no intent to evade tax?

Conclusion: The Allahabad High Court held that technical lapses—such as failing to mention the transporter's name—do not attract penal consequences under Section 129 in absence of tax-evasion intent. The court observed that the invoice, e-way bill, and other documents confirm a Delhi-to-Delhi movement; and the driver's statement was ambiguous and later clarified. Relying on precedents like *Varun Beverages Ltd.* and *Satyam Shivam Papers Pvt. Ltd.*, the court quashed both the seizure and penalty orders and allowed the writ petition.

***Source:** M/s Shakuntalam Associates v. Additional Commissioner Grade-2 (Appeal)-V, the Hon'ble Allahabad High Court (Writ Tax No. 913 of 2022, dt. 30.07.2025)

B. Strict Timelines in GST Refunds are Mandatory—Delay Vitiates Proceedings.

Facts of the Case: The appellant, Suraj Mangar, filed a refund application on 24 December 2021 for unutilized Input Tax Credit on zero-rated supplies under Section 54 of the West Bengal GST Act. The proper officer issued an acknowledgment under Rule 90(2) only on 10 January 2022—two days beyond the 15-day limit. A show-cause notice was issued on 8 February 2022, and the date for reply fixed as 23 February—exceeding the mandatory 60-day timeline under Section 54(7). The refund was ultimately rejected. The appellant challenged the rejection, arguing that both the acknowledgment delay and the belated rejection order vitiated the process.

Issue Involved: Whether the 60-day statutory period under Section 54(7) is mandatory, and whether non-compliance with the timelines under Section 54 and accompanying rules renders the refund rejection void.

Conclusion: The Division Bench held that the timelines—especially the 60-day limit—are mandatory ("shall" is imperative), and failure to adhere to them renders subsequent actions illegal. The acknowledgment delay and belated show-cause/rejection were fatal to the process. The rejection orders by both the proper officer and the appellate authority were set aside. The court directed issuance of the refund with interest under Section 56 within 30 days.

***Source:** Suraj Mangar v. Assistant Commissioner of West Bengal State Tax & Ors., the Division Bench of the Calcutta High Court (M.A.T. No. 104 of 2024, dt. 30.07.2025)

C. Section 74 proceedings unsustainable where supplier had valid registration and billed supplies with e-way/bill evidence despite later cancellation.

Facts of the Case: The petitioner claimed Input Tax Credit (ITC) on goods purchased from a supplier who held a valid GST registration on the transaction date (20 June 2018). The supply was documented through a proper tax invoice, a "Bill-To/Ship-To" arrangement, and an e-Way bill that bore a rubber stamp from a mobile squad confirming interception in transit. The supplier's registration was later cancelled on 28 September 2018. Despite no material contradicting these facts, proceedings under Section 74 of the U.P. GST Act were initiated against the petitioner, alleging a "paper transaction." The first appellate authority upheld the demand without meaningfully addressing the documentary evidence.

Issues Involved:

- Can Section 74 proceedings be sustained where the supplier's registration was valid on the date of supply but cancelled later?
- Can ITC be denied as a "paper transaction" when tax invoices and e-Way bills establish genuine movement of goods?
- Did the appellate authority err by ignoring uncontroverted evidence supporting the petitioner?

Conclusion: The High Court quashed the assessment and appellate orders, holding that valid registration on the transaction date and contemporaneous transport documents disproved any allegation of fake supply. Subsequent cancellation of the supplier's registration could not justify penal action. The Court directed refund of any amounts deposited within one month.

***Source:** M/s Kesarwani Traders Versus State of Up And 3 Others [Writ Tax No. - 1235 of 2025 dated 18.08.2025]

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About Us

Founded in 1981, our firm is dedicated to providing unparalleled financial services to our clients and assisting in navigating the business landscape. With a commitment to deliver exceptional services while upholding the highest ethical standards, our team of over 125+ professionals, led by 11 experienced partners, brings a diverse range of expertise to the table. This allows us to act as your trusted advisor for all aspects of your financial needs, including Audit & Assurance, Taxation (both domestic and cross-border), Valuations, Mergers & Acquisitions and Corporate Finance. We operate as a progressive and well-structured full-service firm with a Pan India presence and a network of various international forums, groups & chambers. We deliver end-to-end business solutions through a dedicated panel of experts, maintaining long-term trust and reliance from our clients.

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