

July 2025

## Alert: Indirect Taxation

**Bhatia & Bhatia**  
CHARTERED ACCOUNTANTS



### A Round-Up of Key Indirect Tax Developments

We are pleased to present the July 2025 edition of our Indirect Tax Newsletter, featuring key regulatory developments, compliance updates and noteworthy judicial pronouncements in the domain of GST, Customs and Foreign Trade Policy. This edition brings important updates on the handling of IMS-rejected records, GST return filing timelines, the new E-Way Bill 2.0 system, and the upcoming non-editable GSTR-3B auto-populated liability provisions.

In addition, we've covered significant rulings from various High Courts and Tribunals that impact industry interpretation and application of indirect tax laws. From clarifications on ITC eligibility and refund procedures to crucial directions on procedural fairness in adjudication and virtual hearings – these updates are curated to keep you well-informed and compliant.



Compliance

Rules

Standards

Policies

Regulations

Law

# Regulatory Compliance Updates

### ▶ Handling of Inadvertently Rejected records on IMS – GST advisory issued dated 19 June 2025

| Question | Issue                                                                                                             | Corrective Action                                                                                               | Impact on Recipient                                                                       | Impact on Supplier                                                                                                       |
|----------|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| 1        | How can recipient avail ITC on wrongly rejected invoices/debit notes/ECO documents when GSTR-3B is already filed? | Supplier to re-report same record (unchanged) in GSTR-1A of same period or amendment table of later GSTR-1/IFF. | Recipient can accept record on IMS and avail full ITC in GSTR-2B of concerned tax period. | No impact.                                                                                                               |
| 2        | What happens to supplier's liability if same record is re-reported after recipient's rejection?                   | Supplier re-furnishes same record in GSTR-1A or amendment table (unchanged).                                    | Not applicable.                                                                           | No additional liability, as amendment table uses delta value (difference only).                                          |
| 3        | How to reverse ITC on wrongly rejected Credit Note, when GSTR-3B is already filed?                                | Supplier to re-report same CN (unchanged) in GSTR-1A or amendment table.                                        | Recipient accepts CN on IMS and recomputes GSTR-2B to reverse ITC (entire CN value).      | No impact.                                                                                                               |
| 4        | What is the effect on supplier's liability if rejected CN is re-reported?                                         | Supplier re-furnishes CN in GSTR-1A or amendment table of GSTR-1/IFF.                                           | Not applicable.                                                                           | Liability initially increases (due to CN rejection), but is reduced upon re-reporting. Net impact: only one-time effect. |

## ▶ GST Advisory to file pending returns before expiry of three years

As per the advisory issued dated 18th June 2025, any return due 3 years ago or earlier and not filed by July 2025 will be barred from filing thereafter.

- Illustrative Barred Returns (from 1 Aug 2025) are: -

| GST Forms           | Barred Period (w.e.f. 1st August 2025) |
|---------------------|----------------------------------------|
| GSTR-1/IFF          | Jun 1, 2022                            |
| GSTR-3B (Monthly)   | Jun 1, 2022                            |
| GSTR-3B (Quarterly) | April-June 2022                        |
| GSTR-4              | FY 2021-22                             |
| GSTR-5              | Jun 1, 2022                            |
| GSTR-6              | Jun 1, 2022                            |
| GSTR-7              | Jun 1, 2022                            |
| GSTR-8              | Jun 1, 2022                            |
| GSTR-9/9C           | FY 2020-21                             |

## ▶ New E-Way Bill 2.0 portal - Introduction of Enhanced Inter-operable Services Between E-Way Bill Portals

NIC will launch the new E-Way Bill 2.0 portal on 1st July 2025 to ensure business continuity and enhance inter-operability with the existing E-Way Bill 1.0 portal. Developed in response to taxpayer demands, the new system allows cross-portal access to E-Way Bill functionalities, ensuring seamless operations during technical issues or downtime.

- New features include: generation of E-Way Bills using Part-A details, consolidated E-Way Bills, validity extension, transporter updates, and retrieval of consolidated bills. These are in addition to existing services like vehicle detail updates and printing.
- Both portals will be real-time synchronised, ensuring data is mirrored within seconds. If one portal is down, all operations can be performed on the other, including updating Part-B and generating slips.
- All functionalities will also be available through APIs, which are currently accessible in a sandbox environment for testing and integration.
- The dual-portal system aims to eliminate reliance on a single portal and ensure uninterrupted compliance. Users are encouraged to explore the new features, test API integration, and contact the GST Helpdesk for support.

### ▶ **Barring of GST Return on expiry of three years- GST advisory dated 07th June 2025**

The taxpayers shall not be allowed file their GST returns after the expiry of a period of three years from the due date of furnishing the said return under Section 37 (Outward Supply), Section 39 (payment of liability), Section 44 (Annual Return) and Section 52 (Tax Collected at Source). These Sections cover GSTR-1, GSTR-3B, GSTR-4, GSTR-5, GSTR-5A, GSTR-6, GSTR-7, GSTR-8 and GSTR-9.

Hence, above mentioned returns will be barred for filing after the expiry of three years. The said restriction will be implemented on the GST portal from July 2025 Tax period. Hence, the taxpayers are once again advised to reconcile their records and file their GST Returns as soon as possible if not filed till now.

### ▶ **Advisory regarding non-editable of auto-populated liability in GSTR-3B**

As per the advisory dated June 07, 2025, the GST Portal provides a pre-filled GSTR-3B, where the tax liability gets auto-populated based on the outward supplies declared in GSTR-1/ GSTR-1A/ IFF. As of now, taxpayers can edit such auto-populated values in form GSTR 3B itself.

- With the introduction of form GSTR 1A, taxpayer now has a facility to amend their incorrectly declared outward supplies in GSTR-1/IFF through GSTR-1A, allowing them an opportunity to correct their liabilities before filing their GSTR-3B in the same return period.
- In view of the same, from the July 2025 tax period for which form GSTR 3B will be furnished in August 2025, such auto-populated liability will become non-editable. Thus, taxpayers will be allowed to amend their auto-populated liability by making amendments through form GSTR 1A, which can be filed for the same tax period before filing of GSTR 3B.

### ▶ **Principal Commissioner serves as reviewing and revisional authority for Common Adjudicating Authority orders under sections 107-108**

The Central Board of Indirect Taxes and Customs clarified procedures for review, revision, and appeals regarding orders passed by Common Adjudicating Authorities on show cause notices issued by the Directorate General of GST Intelligence. The Principal Commissioner or Commissioner under whom the Common Adjudicating Authority is posted serves as both the reviewing and revisional authority under sections 107 and 108 of the CGST Act. Appeals against such orders lie before the Commissioner (Appeals) corresponding to the territorial jurisdiction. The concerned Commissioner represents the department in appeal proceedings and may appoint subordinate officers as designated officers for filing departmental appeals.

### ▶ **Guidelines issued for mandatory hearings through virtual mode in all proceedings**

The Government of the National Capital Territory of Delhi has issued Guidelines for Mandatory Conduct of Personal Hearings through Virtual Mode in all Proceedings under the Delhi GST Act, 2017 and the Rules framed thereunder. While the Circular emphasizes the importance of personal hearings under sections 75, 126 and 107 of the Delhi GST Act, 2017, to adhere to principles of natural justice in letter and spirit, it also looks at fostering transparency, efficiency and ease of compliance in tax administration.

Accordingly, all proper officers and appellate authorities have been directed to comply with the following guidelines:

- Mandatory conduct of personal hearings in virtual mode
- No person is to appear in person for a personal hearing
- Virtual hearings (VH) to be conducted through available web applications (e.g., Webex, google-meet etc.)
- Date, time and link for virtual hearing shall be shared with the taxpayer / their authorized representative on registered mail ID/mobile in advance.
- Taxpayer to download the application and be ready for virtual hearing (VH) at the appointed date and time.
- Taxpayer and/or his Authorized Representative to submit vakalatnama / authorization letter with photo ID and card with contact numbers in advance to enable personal hearing.
- Virtual hearing to be conducted from the office of the proper officer / Appellate Authority only.
- All concerned participating in a personal hearing through VH shall be appropriately dressed and maintain decorum/dignity.
- Submissions made during the virtual hearing to be recorded as 'record of personal hearing' on 'online personal hearing module and after signature/stamping, it to be shared with the taxpayer on the registered mail ID of the taxpayer / AR.
- In case of any adjournment, a notice of adjournment shall also be sent through the BO Portal, mentioning the details of the next date of hearing.
- If any document, including additional documents, is to be considered during the virtual hearing, a scanned copy of such self-attested documents is to be sent to the concerned authority before the virtual hearing.
- If there is a need to submit a physical set of documents, it may be done after due attestation by the taxpayer / AR during office hours.
- Proceedings of virtual hearing/documents shall be deemed to be a valid document/record under the **CGST / DGST Act** or Rules.
- If a mandatory virtual hearing can not be done for any reason by the taxpayer / AR and a physical hearing is requested, such a request is to be approved by the zonal in-charge / officer after reasons are recorded.
- Any officer representing the Department may also participate in the virtual hearing through video conferencing, as required.



## Regulatory Compliance Updates - Foreign Trade Policy (FTP)

### ▶ DGFT removes 180-day Export Obligation restriction for textile products under Quality Control Orders exemption

The DGFT amended Para 2.03(A)(i)(g) of Foreign Trade Policy 2023 through Notification No. 20/2025-26 dated 23rd June 2025, exercising powers under Sections 3 and 5 of the Foreign Trade (Development & Regulation) Act 1992. The amendment removes the 180-day Export Obligation period restriction for textile products under the Quality Control Orders exemption, while retaining it for chemical products notified by DCPC. Consequently, Advance Authorisation holders importing textile inputs subject to mandatory QCOs will now follow standard Export Obligation periods as prescribed in Para 4.40 of the Handbook of Procedures, rather than the previously mandated 180-day restriction from the import clearance date. The notification took immediate effect upon issuance.





# Latest Judicial Pronouncements

### ▶ **Writ petition dismissed as taxpayer must pursue statutory appeal under Section 107 instead of challenging Section 74 CGST proceedings through writ jurisdiction.**

#### **Facts of the Case:**

The petitioner, registered under the CGST and KGST Acts, challenged an order (Ext.P7) issued under Section 74(1) of the CGST Act based on a show-cause notice (Ext.P5). The petitioner contended that Section 74 applies only in cases of willful suppression or fraud, neither of which was mentioned in the SCN. The alleged tax shortfall pertained to February 2018, where, despite the correct filing of GSTR-1 and GSTR-3B, a technical glitch caused figures to reflect as nil. The discrepancy was detected during the audit, after which the petitioner filed the annual return (GSTR-9) and reconciliation statement (GSTR-9C) on 29.11.2019 and paid the differential tax via DRC-03 on 06.03.2020. The petitioner argued that the initiation of Section 74 proceedings was only to bypass the limitation under Section 73. Despite replying to the SCN (Ext.P6), the respondent passed the final order (Ext.P7) without addressing the technical error explanation.

#### **Conclusion:**

The Court held that since the petitioner had an alternative statutory remedy of appeal under Section 107 of the CGST Act, it was inappropriate to entertain the writ petition. The Court dismissed the petition without addressing its merits and allowed the petitioner to file an appeal, excluding the writ pendency period from the limitation for filing such an appeal.

**\*Source:** Nesiyan Emel Japasingh Versus State Tax Officer, Tax Payer Services Circle, State GST Department, Neyyattinkara [Kerala High Court - WP (C) NO. 14315 OF 2025 dated 11/06/2025]

### ▶ **Electronic Credit Ledger blocking orders quashed for violating Section 83 procedural requirements and natural justice principles**

#### **Facts of the Case:**

The petitioner challenged the orders blocking their Electronic Credit Ledger (ECL) and provisionally attaching bank accounts under the CGST Act. The primary contention was that these actions violated the procedural safeguards under Section 83 and Rule 86A of the CGST Rules, 2017. The petitioner argued that the Commissioner acted mechanically, relying on a report by another officer without independent satisfaction or tangible evidence. No pre-decisional hearing was granted, and the blocking order lacked cogent reasons or adherence to the doctrine of proportionality. The petitioner also emphasized that they were a bona fide purchaser and should not suffer for a supplier's alleged default.

## **Conclusion:**

The High Court held that the impugned orders were illegal, arbitrary, and ultra vires the provisions of the CGST Act. It found that the Commissioner failed to independently apply his mind, acted on borrowed satisfaction, and denied the petitioner a fair hearing, thus violating principles of natural justice. The Court stressed that such drastic measures must be supported by clear, tangible material and proportionate to the objective of protecting government revenue. Accordingly, it quashed the blocking and attachment orders, directed immediate unblocking of the ECL and de-freezing of bank accounts, and granted liberty to the department to initiate fresh proceedings in compliance with statutory and judicial requirements.

**\*Source:** M/s Narasimhan Engineering Contractors Private Limited Versus The Principal Commissioner Of Central Tax, GST Commissionerate, The Superintendent / Appraiser / Senior Intelligence Officer and M/s. ICICI Bank Limited, Chennai [Karnataka High Court - Writ Petition No. 11065 OF 2025 (T-RES) dated 25/04/2025]

- ▶ **ITC cannot be denied to the Recipient merely because of retrospective cancellation of the supplier's GSTIN without examination of the genuineness of the transaction.**

## **Facts of the Case:**

The taxpayer filed a writ petition challenging the rejection of Input Tax Credit (ITC) by the GST Department through orders dated March 31, 2024, and January 10, 2025. The sole reason cited by the Department for denying the ITC was the retrospective cancellation of the supplier's GST registration. The petitioner argued that all conditions under Section 16 of the CGST Act were fulfilled—the supplier had issued valid tax invoices, received payment including GST, and duly filed GSTR-3B returns discharging tax liability. Despite this, the authorities issued a show cause notice and denied ITC without assessing the authenticity of the transaction or examining supporting documents.

## **Conclusion:**

The Hon'ble Himachal Pradesh High Court held that the mere retrospective cancellation of the supplier's registration is insufficient to deny ITC unless the genuineness of the transaction is evaluated. The Court emphasized that before invoking Section 16(2) of the CGST Act, tax authorities must verify whether the transaction is genuine through scrutiny of relevant documents. As this exercise was not done, the denial of ITC was found to be unjustified. Consequently, the Court quashed the impugned orders and remanded the matter to the Adjudicating Authority for fresh examination in accordance with law and principles of natural justice.

**\*Source:** M/s Himalaya Communication Pvt. Ltd. Versus Union of India and others [Himachal Pradesh High Court - CWP No. 8809 of 2025 dated 06/06/2025]

▶ **Chartered Accountant certificates can substitute Foreign Inward Remittance Certificates for GST refund claims on service exports.**

**Facts of the Case:**

The taxpayer filed a writ petition challenging the rejection of its GST refund claim amounting to ₹1,82,99,406 for export of services during April–June 2021. The petitioner operated under an RBI-approved common clearing mechanism that allowed netting of foreign exchange receivables and payables. The GST authorities rejected the refund solely on procedural grounds—non-submission of Foreign Inward Remittance Certificates (FIRCs) as mandated by CBIC Circular No. 125/44/2019. The petitioner, however, submitted Chartered Accountant (CA) certificates, RBI approval letters, EEFC bank statements, and bank confirmations, all certifying receipt of convertible foreign exchange.

**Conclusion:**

The High Court held that the rejection of the refund claim was unjustified and legally unsustainable. It emphasized that while the CBIC Circular prescribes FIRCs, such procedural requirements cannot override the petitioner's substantive right to refund where genuine receipt of foreign exchange is proven through authentic and credible alternative evidence. The Court affirmed that CA certificates issued after due verification of books, invoices, and banking documents qualify as valid substitutes for FIRCs, especially in cases involving RBI-approved netting mechanisms where FIRCs are not generated in the conventional form.

It was observed that the GST authorities failed to consider the petitioner's unique business model and RBI's regulatory framework, instead rigidly applying procedural norms. Citing Supreme Court precedents and principles of natural justice, the Court quashed the impugned rejection order and directed the authorities to process the refund without insisting on FIRCs. The refund claim is to be processed afresh in light of the Court's directions.

**Key Legal Findings:**

1. Procedural non-compliance cannot defeat a substantive statutory right.
2. CA certificates, when backed by documentation and verification, are authentic evidence.
3. CBIC Circulars are directory and cannot negate rights conferred under the CGST/IGST Acts.
4. Refund adjudication must account for commercial realities and special regulatory structures.

**\*Source:** Kuehne Plus Nagel Private Limited Versus Union Of India & Ors. [Gujarat High Court - R/Special Civil Application NO. 13427 of 2024 dated 26/03/2025]

▶ **Departmental orders rejecting Input Tax Credit claims quashed as retrospective Section 16(5) amendment extended deadline to November 2021.**

**Facts of the Case:**

Multiple petitioners challenged the rejection of Input Tax Credit (ITC) claims by GST authorities, which were denied solely on the grounds of delay under Section 16(4) of the CGST Act, 2017. The department held that ITC was claimed beyond the statutory deadline. However, petitioners argued that their delays were due to exceptional circumstances such as COVID-19 disruptions, medical emergencies, and fire incidents. Further, a retrospective amendment by the Finance Act (No. 2) of 2024 inserted Section 16(5), extending the time limit for availing ITC for FYs 2017–18 to 2020–21 up to November 30, 2021.

**Conclusion:**

The High Court quashed the impugned orders, ruling that the retrospective insertion of Section 16(5) overrides the earlier limitation under Section 16(4). It upheld that ITC claims filed before November 30, 2021, are valid and must be processed. The Court held that procedural deadlines cannot deny legitimate credit when statutory amendments permit extended timelines. Consequently, it directed the immediate de-freezing of petitioners' bank accounts and restrained recovery actions based on limitation grounds. However, the department retains the liberty to proceed against the petitioners for genuine discrepancies, fraudulent claims, or other substantive violations. The Court also ordered a refund or adjustment of any tax already recovered pursuant to the quashed orders.

**\*Source:** Vijayantony Film Corporation Private Limited, Represented by its Director, Mr. Vijay Antony Versus The Assistant Commissioner Office of the Assistant Commissioner of GST and Central Excise, Vadapalani Division [Madras High Court - W. P. No. 22094 of 2025 And W. M. P. Nos. 24858 & 24860 of 2025 dated 20/06/2025]



### ▶ **DGFT cannot impose conditions contrary to Foreign Trade Policy under FTDR Act Sections 5 and 6(3)**

The Hon'ble Karnataka High Court held that DGFT lacked the authority to impose conditions contrary to the Foreign Trade Policy (FTP) under the FTDR Act. The court ruled that the power to formulate and amend FTP lies exclusively with the Central Government under Sections 5 and 6(3) of the FTDR Act, while DGFT can only frame implementation procedures. The contested condition requiring import consignments to land at Indian ports after TRQ license issuance for clearance eligibility was deemed ultra vires of DGFT's powers and contrary to Customs Act Section 15(1)(b). The HC quashed the impugned condition in Public Notice dated 14.06.2022 and directed customs authorities to permit clearance of warehoused goods under Section 68 of the Customs Act upon production of the TRQ license, extending notification benefits. Petition disposed of favourably.

### ▶ **Revenue appeal dismissed as the refund limitation period under Section 27(1B)(c) starts from the final assessment date**

#### **Facts of the Case:**

Lakshmi Steel Rolling Mill ("the respondent") had imported goods under provisional assessment as per customs procedures. Later, upon final assessment of the Bill of Entry, the respondent found itself eligible for a refund of excess duty paid. The respondent filed a refund claim under Section 27 of the Customs Act, 1962. However, the customs department rejected the claim, arguing that it was filed beyond the one-year limitation period prescribed under Section 27(1B)(c), claiming that the limitation should be counted from the date of provisional duty payment. The matter reached the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), which ruled in favor of the respondent, holding that the one-year limitation period should commence from the date of final assessment, not the date of provisional duty payment.

#### **Conclusion:**

The Gujarat High Court upheld the CESTAT's decision and dismissed the revenue's appeal (C.A. No. 12723 of 2023), confirming that in cases involving provisional assessments, the limitation period for filing a refund claim under Section 27 of the Customs Act begins from the date of final assessment, not provisional duty payment. The Court found no substantial question of law in the revenue's plea and emphasized that Notification No. 93/2008 cannot override statutory provisions. The appeal was held to be meritless and was accordingly dismissed.

**\*Source:** Gujarat High Court – Commissioner of Customs (Preventive), Jamnagar v. Lakshmi Steel Rolling Mill, C.A. No.12723 of 2023, decided on June 17, 2025.

▶ **Email invoices can determine customs duty under section 14 even when different invoice filed with Bill of Entry.**

In the case of M/s Mittal Impex & Ors. v. Commissioner of Customs, CESTAT held that customs duty under section 14 of the Customs Act can be determined based on the transaction value reflected in invoices retrieved from the importer's email account, even when a different invoice was filed with the Bill of Entry. The Larger Bench rejected the Division Bench's earlier ruling that emails found in an importer's private capacity cannot substantiate mis-declaration cases. The court reasoned that the Customs Act and the 2007 Valuation Rules permit a proper officer to consider email invoices for verification under section 46, and after rejecting declared transaction value, re-determination can proceed through rules 4-9. Since identical/similar goods' transaction values can be considered, email invoices for the same consignment hold greater relevance. Appeals remanded to the Division Bench for merit-based adjudication.

▶ **Appeal allowed against anti-dumping duty demand as incorrect valuation without deliberate suppression doesn't constitute material fact suppression.**

CESTAT allowed the appeal challenging the anti-dumping duty demand and penalties imposed on the appellant and its director. The tribunal held that the extended limitation period under section 28(4) of the Customs Act was incorrectly invoked, as mere incorrect valuation without evidence of deliberate suppression does not constitute suppression of material facts. The appellant had made bona fide declarations in Bills of Entry, which were examined and cleared by customs officers. Relying on Supreme Court precedent in Commissioner vs. Reliance Industries Ltd., CESTAT ruled that bonafide belief in correct duty discharge, even if ultimately wrong, cannot be deemed malafide. Penalties under sections 112 and 114AA against the director were set aside as the valuation was bona fide without bad motive. The impugned order was completely set aside.



# Bhatia & Bhatia

CHARTERED ACCOUNTANTS

## 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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