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TAX JURISPRUDENCE

CASE LAW ALERT - JUNE 2026
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Executive Summary Of Judgements / Advance Rulings Under Direct and Indirect Taxes

We are pleased to draw your attention to following important decisions which might be useful for you to take call on tax position.

Case & Citation	Issue Involved	Decision
Direct Tax		
Yashwantrao Chavan Centre [TS-781-ITAT-2026(Mum)]	Whether income earned by a Public Charitable Trust registered u/s 12A of the Act from letting out its hall / auditorium constitutes business income so as to deny exemption under section 11.	The Hon'ble ITAT held that the letting out of auditorium / hall is merely incidental and ancillary to the attainment of the Trust's dominant charitable objects of education and relief to poor. The decisive test is the dominant purpose and actual application of income, not the quantum of receipts earned from a particular source. Neither section 11(4A) nor the proviso to section 2(15) can be invoked to deny exemption under section 11.

Indirect Tax		
DLF Limited v. Commissioner of Central Goods and Service Tax & Ors. TS-388-HC(P&H)-2026-GST dated 13.05.2026 [CWP No. 17530 of 2022]	Whether PLC collected by a real estate developer for buyer's choice of apartment location forms part of the composite supply of construction services taxable at the construction rate or constitutes an independent taxable supply warranting separate GST classification.	The Punjab & Haryana High Court allowed the Writ Petition, held PLC to be an integral part of the composite supply of construction services taxable at the construction rate prior to issuance of the completion certificate, and quashed both the AAR and AAAR orders, affirming CBIC Circular No. 234/28/2024-GST as clarificatory and retrospective in operation.
Indian Oil-Adani Gas Pvt Ltd and TS-1109-AAR(GOA)-2025-GST. Advance ruling no. GOA/GAAR/01 of 2024-25	Whether GST on permission charges, reinstatement charges, road-cutting charges and ground rent levied by the Goa PWD on Indian Oil-Adani Gas Pvt Ltd (IOAGPL) (for laying city gas distribution pipelines) is payable by the company under Reverse Charge Mechanism (RCM) and a secondary issue raised was whether there is double taxation, since PWD's reinstatement-cost recovery from the company also embeds an "18% GST" component?	The Goa AAR held that permission charges, reinstatement charges, road-cutting charges, and ground rent collected by Goa PWD from IOAGPL are subject to GST under Reverse Charge Mechanism (RCM), as Goa PWD is a department of the State Government and not a separate taxable entity. The AAR also rejected the claim of double taxation clarifying that the GST charged by the private contractor for reinstatement work is merely a cost incurred by PWD and recovered from IOAGPL. Being unregistered, the amount recovered by PWD does not constitute GST charged by PWD as it does not issue tax invoices. Therefore, IOAGPL remains liable to pay GST under RCM on the charges collected by Goa PWD

The brief analysis of above referred decisions and rulings are given below.

Case 1 – Yashwantrao Chavan Centre, ITA No. 5333/Mum/2025, Assessment Year: 2018-19 [TS-781-ITAT-2026(Mum)]

Facts in brief & Issue Involved:

- Yashwantrao Chavan Centre (the assessee) is a Public Charitable Trust, duly registered u/s 12A and 80G of the Act, engaged in undertaking activities in the field of 'education' and 'relief to poor' covered as 'Charitable activities' u/s 2(15) of the Act. The assessee owns and administers "Yashwantrao Chavan Pratishthan", comprising a building and auditorium popularly known as "Chavan Centre".

- During the year, the assessee earned income from hall rent of Rs. 2.54 Crores which constituted approx. 65% of the total receipts of Rs. 3.59 Crores.

- Accordingly, the AO held that the assessee was predominantly carrying on commercial activities thereby assessing the said receipts as business income by invoking provisions of section 11(4A) and proviso to section 2(15).

- The addition made by the AO was deleted by the CIT(A) holding that the letting out of the hall was incidental to the attainment of charitable objects and that the rental income was applied towards charitable activities.

- The primary issue before the Hon'ble ITAT was whether income received by a charitable trust from letting out its hall / auditorium can be treated as business income so as to deny exemption u/s 11 of the Act by invoking section 11(4A) and the proviso to section 2(15) of the Act.

Contentions of Assessee:

- The assessee contended that the AO had fundamentally misconceived the issue by conflating the objects of the trust with its sources of income.

- The assessee demonstrated that its predominant objects squarely fall within "education" and "relief to the poor" u/s 2(15), and accordingly, the proviso to section 2(15) which applies only to the residuary category of "advancement of any other object of general public utility" has no application. Reliance was placed on CBDT Circular No. 11/2008 dated 19.12.2008 clarifying that proviso to section 2(15) applies only to entities falling under the residuary category of 'general public utility'.

- The receipts generated from letting of hall were fully utilised for carrying out educational and welfare activities. The educational activities themselves were conducted at highly subsidised or nominal fees and were operating at deficit.

Contentions of the Revenue

- Hall receipts which constitute 65% of total receipts demonstrate systematic and predominant commercial activity. The activity was organised in nature with outsourced operations, and no separate books of account were maintained.

- The assessee falls within the residuary category of "advancement of any other object of general public utility" and since hall receipts are in the nature of trade/commerce, proviso to section 2(15) is attracted, disentitling the trust from exemption under section 11.

Observations & Decision of the Hon'ble ITAT:

- The ITAT held that the controversy must be examined from the true and dominant character of the institution i.e its foundational objects, actual activities and manner of application of income and not merely from the proportion of one stream of receipts.

- The decisive test is the dominant purpose and actual application of income towards charitable objects of the assessee not the quantum of receipts.

- The educational activities undertaken by the assessee operated at deficit and were sustained through earning of hall rent. Hall receipts were merely a means to support charitable objects and not an independent business venture undertaken with profit motive. The dominant and substantive character of the Trust falls within the first limb of section 2(15), viz. "education" and "relief to the poor" making the proviso thereto inapplicable.

- Accordingly, it was held that hall rent constitute income derived from property held under trust, which is applied for charitable purposes and hence, exemption under section 11 cannot be denied.

NASA Comments:

- This ruling firmly establishes that the dominant purpose and application of income derived from incidental activity and not the proportion of such receipts to the total receipts is determinative criterion for deciding whether the activities of an institution are charitable or not.

- Charitable trusts having objects "education" and/ or "relief to the poor" are not subject to the restrictive proviso to section 2(15) which is applicable only to the residuary category of "general public utility".

INDIRECT TAX

Case 1 – DLF Limited v. Commissioner of Central Goods and Service Tax & Ors. TS-388-HC(P&H)-2026-GST dated *13.05.2026* [CWP No. 17530 of 2022]

Facts in brief & Issues Involved

- DLF Limited ('Petitioner'), engaged in real estate development, collected Preferential Location Charges ('PLC') from purchasers of under-construction apartments as consideration for the buyer's exercise of locational preference encompassing floor level, view orientation, corner positioning, and analogous attributes charged over and above the base unit price.

- Seeking advance ruling on the GST character of PLC, the assessee filed an application before the Authority for Advance Rulings ('AAR'). Both the AAR (Order dated 28.08.2020) and the Appellate Authority for Advance Rulings ('AAAR') (Order dated 28.03.2022) ruled adversely, holding PLC to constitute an independent taxable supply, conceptually dissociable from construction services and not subsumed within a composite supply thereunder.

- Aggrieved by the concurrent findings, the petitioner filed a writ petition before the Punjab & Haryana High Court.

Contentions of the Petitioner

- PLC is inseparable from the sale of an under-construction flat. The buyer's location choice is exercised at the time of booking, and the charges are directly linked to the specific unit; accordingly, the entire transaction constitutes a 'composite supply' under Section 2(30) of the CGST Act with construction as the principal supply, and GST must follow the construction service rate.

- The 54th GST Council's recommendations and the consequential CBIC Circular No. 234/28/2024-GST explicitly clarify that the grant of locational preference to a buyer is an integral and naturally bundled component of the construction service — PLC is therefore subsumed within the composite supply and does not give rise to a separate taxable event. The Circular is clarificatory in nature and hence retrospective in operation; the AAR and AAAR orders, being directly contrary to this binding statutory clarification, cannot survive and are liable to be quashed.

Contentions of the Respondent

- PLC represents a distinct, identifiable service conferring upon the buyer the right to elect a preferred location that is conceptually severable from the physical activity of construction; the two supplies are not required to be provided conjointly and therefore fail to satisfy the conditions for a composite supply.

- The construction of an apartment does not inherently necessitate granting a locational choice; PLC does not satisfy the test of natural bundling under the CGST Act and cannot be absorbed within the principal supply of construction services.

- The AAR and AAAR had correctly applied facts and law in adjudging PLC to be an independent taxable supply; those well-reasoned speaking orders of statutory advance ruling authorities merit affirmation.

Observations & Decision of the High Court

- Placing reliance on CBIC Circular No. 234/28/2024-GST issued pursuant to the 54th GST Council recommendation, the Court held that the circular is binding on all departmental authorities and clarifies that locational preference is naturally bundled with and integral to construction service, rendering PLC incapable of independent taxation when supplied separately.

- Being clarificatory in nature, the circular operates retrospectively, rendering the concurrent AAR and AAAR orders holding PLC as independently taxable legally unsustainable and liable to be quashed. The Court accordingly declared PLC as an integral component of the composite supply of construction services taxable at the applicable construction rate prior to issuance of the completion certificate, with all consequential reliefs.

NASA Comments

- This ruling clearly establishes that a later clarificatory CBIC circular—binding on all department officers—can override an adverse advance ruling, even though the ruling is binding only on the respective applicant.

- Other taxpayers in similar situations can take comfort as unfavourable advance ruling is not final or unstoppable. If a favourable circular or court decision later clarifies the correct legal position, they can still file a writ petition.

Case 2 - Indian Oil-Adani Gas Pvt Ltd [Indian Oil-Adani Gas Pvt Ltd, TS-1109-AAR(GOA)-2025-GST]

Facts in brief & Issue Involved

- Indian Oil-Adani Gas Pvt Ltd (IOAGPL), is engaged in developing City Gas Distribution (CGD) infrastructure for PNG/CNG supply, lays gas pipelines in Goa, which involves cutting public roads.

- For this, Goa PWD grants road-cutting permissions and levies permission charges, reinstatement charges (cost of restoring damaged roads), road-cutting charges and ground rent on the applicant.

- The applicant contended that Goa PWD qualifies as "State Government"/"Government Entity" under GST law and that services supplied by it to a business entity attract GST under reverse charge as per Entry No. 5 of Notification No. 13/2017-CT(R)

- The applicant placed on record PWD's sample demand notes for reinstatement work which also raised a concern of double taxation, since it mentioned "Add 18% GST," whereas the applicant itself pays GST under RCM.

- A connected concern examined was whether the "18% GST" component embedded in such demand notes results in double taxation when the applicant also discharges GST under RCM on the same charges.

Contentions of Applicant

- The applicant contended that under section 9(3) of the CGST Act read with entry No. 5 of notification No. 13/2017-CT(R), services provided by the government to a business entity are taxable under RCM, payable by the recipient.

- It was argued that Goa PWD is part of the state government under section 2(53) of the CGST Act, as it functions under the administrative and financial control of the Government of Goa.

- Reliance was placed on M/s. MSV International Inc. (Haryana AAR, 2019) to support that PWD qualifies as a government department/entity.

- The applicant further submitted that PWD issued only demand notes and not tax invoices; therefore, GST should not be collected by PWD, and payment of GST by both PWD and the applicant under RCM would result in double taxation.

Observations & Decision of the AAR

- The AAR identified two separate transactions:
  (a) service provided by Goa PWD to IOAGPL for permitting road-cutting and tolerating damage to public roads, and
  (b) restoration work executed by a private contractor for Goa PWD.

- The AAR accepted that Goa PWD is part of the State Government and held that GST on services provided to IOAGPL is payable by IOAGPL under RCM.

- The AAR rejected the allegation of double taxation, holding that GST charged by the private contractor to PWD forms part of the reinstatement cost recovered by PWD and is not GST charged by PWD itself.

- Since Goa PWD is not GST registered, has no GSTIN and issues only demand notes (not tax invoices), it cannot legally collect GST; therefore, the "Add 18% GST" in demand notes was treated merely as reimbursement of contractor cost and not a separate levy of GST by PWD.

NASA Comments

- The Charges paid to State PWDs, including permission fees, road-cutting charges, reinstatement charges, and ground rent, are liable to GST under the Reverse Charge Mechanism (RCM). Businesses should maintain proper documentation and demand note break-ups to support compliance and audit requirements.

- While the ruling has persuasive value for similar cases, it is binding only on the applicant and jurisdictional officer. Businesses should evaluate ITC eligibility on the GST paid under RCM, as such credits may generally be available when the expenses are incurred in the course of business, thereby reducing the overall tax cost.

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