



N.A. SHAH ASSOCIATES LLP
Chartered Accountants

TAX JURISPRUDENCE

CASE LAW ALERT – JUNE 2025
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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
Indirect Tax		
<u>M/s R.T. Infotech v. Additional Commissioner Grade-2 & Ors.</u>	Whether ITC can be denied to the purchaser due to the seller's default on account of non-payment of tax and non-filing of returns, despite the purchaser fulfilling all conditions as envisaged in Section 16(2) of the CGST Act?	The hon'ble Allahabad High Court held that the Input Tax Credit (ITC) cannot be denied to a buyer solely due to the supplier's failure to file returns or deposit tax and accordingly writ is allowed.

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

Case 1 – M/s R.T. Infotech v. Additional Commissioner Grade-2 & Ors. (Writ Tax No. 1330 of 2022 | Order dated 30 May 2025 | High Court of Judicature at Allahabad)

Facts in brief & Issue Involved

- ♦ Petitioner is into the business of mobile recharge services and procured mobile recharge coupons from M/s Bharti Airtel Ltd against which payments has been made through banking channels (RTGS). For the said inward supplies, the petitioner has claimed Input Tax Credit (ITC) in its GSTR-3B returns.
- ♦ Notice in Form ASMT-10 was issued citing non-reflection of invoices in GSTR-2A to which reply in Form ASMT-11 was filed by the petitioner clarifying that the invoices from Bharti Airtel Ltd were fully paid and therefore ITC shall be allowed.
- ♦ Not being satisfied by the reply, the GST department issued a Show Cause Notice under Section 73, alleging wrongful ITC claim under Section 16(2)(c). The Petitioner responded by arguing that recovery, if any, should be made from the supplier i.e. M/s Bharti Airtel Ltd instead of the Petitioner.
- ♦ Without considering the submissions made by petitioner, the Deputy Commissioner ordered recovery of ITC with 10% penalty and applicable interest.
- ♦ Against the aforesaid order, the Petitioner had preferred an appeal against which adverse order is received.
- ♦ Aggrieved by the said order from appellate authority, writ has been filed before the Hon'ble Allahabad High Court.

Contentions of Petitioner

- ♦ The petitioner submitted that it has no control over the seller either to file the return on time or compel the selling dealer to deposit the amount with government authorities and hence the petitioner cannot be left to suffer for fault on the part of the selling dealer.

- ♦ The petitioner further relied on the judgment of Assistant Commissioner of State Tax v. Suncraft Energy Pvt. Ltd. (2023) 13 Centax 189 (SC).

Contentions of Respondent

- ♦ The respondent submitted that once the tax has not been deposited with the government treasury, the benefit of reversal of ITC of the petitioner cannot be said to be bad or illegal.
- ♦ The Respondent further submitted that submits that Section 16(2) of the GST Act contemplates that the benefit of ITC can be made available only on deposit of amount with the government treasury.


Observations & Decision of the Allahabad High Court

- ♦ The Hon'ble Allahabad High Court held that the purchaser cannot compel the selling dealer to file the returns on time and deposit the amount of tax collected.
- ♦ The Hon'ble High court further stated that when the petitioner has discharged his duties diligently, it is the onus upon the assessing authority to duly communicate about the said fact i.e. the purchase has been made through tax invoices and payments have been made through banking channel and therefore, the authority ought to have counterpart of the selling dealer have initiated action and action has been taken with the benefit ought to have given to the petitioner
- ♦ Placing reliance on the ruling of the **Hon'ble Apex Court in Assistant Commissioner of State Tax v. Suncraft Energy Pvt. Ltd., [Supra]** as well as **Madras High Court in D.Y. Beathel Enterprises v. State Tax Officer, [Supra]** the Hon'ble Allahabad High Court held that that Input Tax Credit (ITC) cannot be denied to a buyer solely due to the supplier's failure to file returns or deposit tax and accordingly the writ petition is allowed remanding the matter to the respondent concerned for deciding afresh by passing a reasoned and speaking order, after hearing all the stakeholder



NASA Comments

- ♦ The Allahabad High Court's judgment reinforces that denial of ITC solely on supplier's default violates both statutory interpretation and fairness.
- ♦ The Hon'ble Court has rightly emphasized that the purchasing dealer, having acted in good faith with valid tax invoices and proper payment methods, cannot be burdened with the consequences of the seller's non-compliance.
- ♦ It aligns with the evolving judicial trend to protect genuine purchasers from arbitrary denial of ITC, provided there is no fraud or collusion.



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B 21-25, Paragon Centre,
Pandurang Budhakar Marg, Mumbai – 400013
Tel: 91-022-4073 3000, Fax: 91-022-4073 3090
E-mail Id: info@nashah.com

