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## NEWSLETTER

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## From the Desk of the Director

Dear All

From the perusal of case laws decided by various High Courts and the Supreme Court of India, it is evident that the judiciary plays a very crucial role in the administration of tax laws. Broadly speaking, the judiciary, apart from resolution of tax disputes and interpretation of tax statutes also play quite significant role in -

- Protection of Taxpayers' Rights;
- Development of Tax Jurisprudence;
- Judicial Review of Legislative and Executive Actions;
- Ensuring Rule of Law; and
- Balancing Revenue Interests and Taxpayer Rights

While deciding on the tax disputes, the Court considers the submissions by the Appellant and the Respondent supported by documentary evidence and also refer to the earlier court verdicts on the subject and ensures fair justice by -

- Strict interpretation of charging provisions;
- Beneficial interpretation of exemption notifications where ambiguity exists;
- Substance over form in cases involving tax avoidance;
- Adherence to principles of natural justice; and
- Legitimate expectation and promissory estoppel in appropriate cases.

In essence, the judiciary acts as the guardian of legality in taxation, ensuring that the power to tax is exercised fairly, constitutionally, and in accordance with the law.

Case law in one of the sections of our Newsletter for keeping you updated on legal developments.

With Kind Regards,

**Sunil Nair**

**Director**

## NEWS

### Export Proceeds Realization Period Reduced from 15 months to 9 months

The Reserve Bank of India (RBI) has notified the Foreign Exchange Management (Export of Goods and Services) (First Amendment) Regulations, 2026 vide Notification No. FEMA 23(R)/(8)/2026-RB dated 05 June 2026.

As per the amendment, the time limit for realization and repatriation of export proceeds under Regulation 9 of the FEMA Export of Goods and Services Regulations has been reduced from 15 months to 9 months from the date of export. The amendment has come into effect from 05 June 2026 and is applicable to export transactions undertaken on or after this date.

We request you to take note of the above amendment and review your export receivables to ensure compliance with the revised timeline.

*(Source: Notification No. FEMA 23(R)/(8)/2026-RB dated 05 June 2026)*

### Supreme Court Upholds Retrospective 28% GST Levy On Real Money Gaming Companies

The Supreme Court on May 27, 2026, delivered two rulings with major ramifications for the country's real-money gaming industry. A Bench of Justices J.B. Pardiwala and R. Mahadevan upheld the constitutional validity of the Centre's retrospective 28% GST levy on online gaming companies and, in a separate judgment, affirmed the validity of State laws prohibiting real-money gaming platforms.

As per a report by the Bar and Bench, the apex court observed that GST on online gaming activity is constitutionally valid and

does not violate constitutional scheme governing GST.

“Online gaming activities, including fantasy sports and other games played on digital platforms, involving staking upon uncertain outcomes, constitute betting and gambling for the purpose of GST framework,” the bench, comprising Justices J B Pardiwala and R Mahadevan, said.

The SC ruled that online gaming platforms are not mere intermediaries, but suppliers of actionable claims amenable to GST.

*(Source: Press Reports)*

### **DGFT Expands QCO Exemption for SEZ Imports to All Authorized Operational Goods**

The Directorate General of Foreign Trade (DGFT), through Notification No. 20/2026-27 dated 2 June 2026, has amended Para 2.03A(iii) of the Foreign Trade Policy (FTP) 2023 to clarify the applicability of Quality Control Orders (QCOs) and Bureau of Indian Standards (BIS) requirements on imports made by Special Economic Zone (SEZ) Units and Developers.

Earlier, the exemption from mandatory QCOs was limited to imports of inputs required for export production, subject to restrictions on Domestic Tariff Area (DTA) clearance and available only for physical exports.

The revised provision significantly expands the exemption by allowing SEZ Units and Developers to import all permissible goods, including raw materials, components, consumables, spares, and capital goods, required for authorized SEZ operations without QCO compliance at the import stage. However, any transfer, removal, or clearance of such goods, or products manufactured from them, into the DTA must comply with applicable QCOs, BIS

requirements, and other laws. An undertaking must be furnished to the concerned Development Commissioner at import.

*(Source: Notification No. 20/2026-27- DGFT / Dated: 02nd June, 2026)*

## **LEGAL UPDATE**

### **Policy Update for SEZ Stakeholders**

The DGFT Notification No. 16/2026-27 (dated 1 June 2026) has brought a key amendment to Para 2.03(A)(iii) of the FTP 2023 regarding Quality Control Orders (QCOs)/BIS requirements.

SEZ Units & Developers are now exempt from Quality Control Orders (QCOs) for all permissible imports (raw materials, components, consumables, spares, capital goods) used in authorized operations under the SEZ Act, 2005.

This exemption applies only within SEZs. Any clearance into the Domestic Tariff Area (DTA) must comply with QCOs, BIS norms, and other applicable laws. Further, undertaking to the Development Commissioner remains mandatory at the time of import.

This amendment strengthens operational flexibility for SEZs while ensuring regulatory safeguards in the DTA. A welcome move for trade facilitation, with compliance boundaries clearly defined.

*(Source: DGFT Notification No. 16/2026-27 dated 1 June 2026)*

### **E-Way Bill Portal: Two Important Changes You Must Know**

GSTN has announced two changes to the e-Way Bill portal. One is mandatory, and the other is voluntary but strongly recommended. Both changes go live in production by 15th June 2026.

#### **CHANGE 1 — ‘Ship To GSTIN’ is Now Mandatory**

Earlier, the 'Ship To GSTIN' field was optional while generating an e-Way Bill. From now on, it is compulsory. You must enter the GSTIN of the actual delivery location every time. However, if the delivery is to an unregistered person - just type URP (Unregistered Person) in the 'Ship To GSTIN' field.

### **CHANGE 2 — You Can Now Close an e-Way Bill**

Until now, once goods were delivered, the e-Way Bill would simply remain open until its validity expired. There was no way to officially mark it as 'delivered'. GSTN has now introduced an EWB Closure facility. once your goods reach the destination, you can formally close the e-Way Bill. This creates a proper delivery record on the system.

*(Source: GSTN Advisory on Enhancements in e-Way Bill (EWB) Portal)*

## **CASE LAW**

### **Parallel GST Proceedings Cannot Continue as Section 6(2)(b) Bars Duplicate Adjudication (Himachal Pradesh HC)**

In this case, the petitioner challenged DRC-01A and DRC-01 notices issued by the State GST authorities for the financial year 2019-20 concerning denial of Input Tax Credit (ITC) under Section 16(2)(c) of the CGST/HGST Acts while Central GST authorities also initiated proceedings.

The Himachal Pradesh High Court ruled that parallel GST proceedings by Central and State authorities on the same subject matter are impermissible and disposed of writ petition with directions to GST authorities to adhere to Section 6(2)(b) of the CGST Act, preventing parallel adjudicatory proceedings on the same subject matter, in line with the Supreme Court's ruling in M/s

Armour Security (India) Ltd v. Commissioner, CGST, Delhi East Commissionerate (decided on August 14, 2025).

*[Source: Saraswati Spinning And Weaving Mills Vs State of Himachal Pradesh (Himachal Pradesh High Court)]*

### **CESTAT Quashes Excise Demand as Reversed Credit Cannot Be Treated as Availed Credit**

In Hindustan Zinc Limited CESTAT Delhi allowed the appeals filed by a manufacturer of zinc ingots and lead products against demand raised under Rule 6 of the CENVAT Credit Rules relating to electricity generated in its captive power plant and partly transferred to its sister concern and a power distribution company.

The Department argued that Hindustan Zinc Limited (HZL) availed CENVAT credit on capital goods, inputs (like furnace oil), and input services used in its captive power plant. They alleged that because the electricity generated was partly consumed internally and partly wheeled out to sister concerns and the State Distribution Utility, HZL failed to maintain separate records for dutiable and exempted final products under Rule 6 of the CENVAT Credit Rules.

The Tribunal noted that HZL had reversed the CENVAT credit attributable to the electricity sold out to the State Electricity Board and sister companies. The court emphasized that the reversal of credit is equivalent to not taking the credit at all. Considering the fact that proportionate credit was already reversed, the Tribunal held that no duty was payable by HZL under Section 11A of the Central Excise Act. Consequently, the Principal Bench quashed the entire demand including the associated interest and penalties

*[Source: Hindustan Zinc Limited Vs*

*Commissioner of Central Excise & CGST  
(CESTAT Delhi)]*

### **Allahabad HC directs GSTN to Upgrade GST Portal for Supplementary Replies**

In the case of *Tejashva Tractors And Motors v. Union of India* (Allahabad High Court) has ruled that the GSTN portal must be refined to allow taxpayers to file additional or supplementary replies to show-cause notices online, rather than being restricted to a single submission.

In this case, the petitioner challenged an order rejecting their refund application. The GSTN authorities stated that the common portal was designed to allow only one reply per show-cause notice, forcing taxpayers to rely on offline submissions during personal hearings.

The Court noted that because notices and orders are exchanged online, it is only logical for the portal to accommodate the filing of additional replies digitally. The High Court directed that a copy of its order be communicated to the GSTN for immediate consideration and compliance, ensuring digital parity and ease of use for taxpayers.

*[Source: Tejashva Tractors And Motors Vs Union of India And Another (Allahabad High Court)]*

### **General Penalty Under GST Invalid When Late Fee Is Specifically Prescribed: Madras HC**

The Madras High Court disposed of a writ petition challenging an order passed in FORM GST DRC-07 dated 22.04.2024 for the assessment year 2018-19. The Court ruled that taxpayers is not liable for general penalty under section 125 if late fee has been paid for GSTR-9 returns.

The High Court clarified that Section 125 is a residuary provision. It applies only when no specific penalty or late fee is provided elsewhere in the GST Act.

The Madras High Court set aside the penalty imposed under Section 125, limiting the taxpayer's liability strictly to the prescribed late fees.

*(Source: SVR Developers Vs Assistant Commissioner (FAC) (Madras High Court)]*

### **GST Order Set Aside for Failure to Provide Reasons for Rejecting Taxpayer Reply**

In *Avantha Holdings Limited*, the Delhi High Court examined a petition challenging an order dated 29.04.2024 passed under Section 73(9) of the CGST Act and the Delhi GST Act. The order arose from a Show Cause Notice dated 30.01.2024 alleging additional tax demand on account of "unbilled revenue."

The petitioner contended that it had already paid the applicable tax along with interest and had furnished relevant details in response to the notice.

The Court observed that the adjudicating authority's order was arbitrary and non-speaking. It dismissed the taxpayer's detailed reply with a generic, sweeping remark stating the response was "incomplete/not duly supported by adequate documents/without proper justification".

The Order was quashed for the reason that the authority rejected the taxpayer's reply regarding "unbilled revenue" without providing adequate reasons, violating natural justice.

*[Source: M/S Avantha Holdings Limited v. The Proper Officer GST (Delhi High Court)]*

## Recovery Proceedings Invalid if Time to File GST Appeal Not Expired: Bombay HC

In this case before Bombay HC, the Petitioner had challenged coercive recovery initiated pursuant to an appellate order and rectification order, contending that it intended to file an appeal before the GST Appellate Tribunal by June 30, 2026, in terms of Government Notification S.O. 4220(E) dated September 17, 2025.

The Court observed that the petitioner had a valid statutory remedy and, upon filing an appeal, would be required to make the prescribed 10% pre-deposit, after which recovery could not ordinarily continue. Recording the petitioner's undertaking to file the appeal with a stay application on or before June 30, 2026, the Court directed that no coercive recovery action be taken until then. It clarified that if no appeal was filed within the permissible period, the Department could proceed with recovery in accordance with law.

*[Source: Matrix Cellular (International) Services Pvt. Ltd. Vs Deputy Commissioner of State Tax (Bombay High Court)]*

## KNOWLEDGE KATTA

### ITC Reversals Under GST

Input Tax Credit (ITC) is one of the important benefit available to the taxpayers which is aimed at elimination of cascading effect of taxes. However, this benefit comes with conditions and restrictions as well as compliance requirements.

One of the vital compliance requirements is reversal of ITC availed. Reversal of Input Tax Credit (ITC) under GST means the ITC already availed has to be added back to the output tax liability or reduced from the electronic credit ledger because the credit is either ineligible or has become ineligible.

In this context, it would be important to note that Input Tax Credit (ITC) reversal remains one of the most litigated areas under GST. Delayed reversals can attract 18%–24% interest, penalties, and departmental scrutiny.

The following are most important ITC reversal provisions which needs close monitoring.

#### **1. Reversal if payment to supplier is not made within 180 days (Rule 37)**

If payment (including GST) is not made to the supplier within 180 days from the invoice date, the ITC availed must be reversed along with applicable interest. The credit can be re-availed when payment is subsequently made.

#### **2. Reversal where common inputs/input services are used for both taxable and exempt supplies (Section 17(2)) read with Rule 42)**

Proportionate ITC must be reversed as per **Rule 42**. Monthly reversal is required with annual adjustments, reconciliations so as to match with actual amount reversal.

#### **3. Capital Goods Used for Taxable and Exempt Supplies (Rule 43)**

Common capital goods attract reversal under **Rule 43**. ITC is spread over a deemed useful life of 60 months and proportionate reversal is computed based on exempt turnover.

#### **4. Blocked Credits – Section 17(5)**

ITC availed on blocked items must be reversed if wrongly claimed.

#### **5. Goods Lost, Stolen, Destroyed or Given as Gifts/Free Samples**

ITC claimed on such goods is not admissible and therefore must be reversed.

#### **6. Composition Scheme / Cancellation of Registration (Rule 18(4) & Rule 44)**

A taxpayer opting for the composition scheme or whose registration is cancelled must reverse ITC relating to inputs, semi-finished goods, finished goods and capital goods held in stock.

### **7. Depreciation Claimed on GST**

#### **Component of Capital Goods**

Where depreciation under the Income-tax Act is claimed on the GST component of the capital asset, ITC on that GST amount is not available and must be reversed.

### **8. Reversal where supplier fails to file GSTR-3B (Rule 37A)**

#### **ITC Reporting in GSTR-3B**

Important Reporting References:

- ✓ Table 4(B)(1) → Permanent reversals
- ✓ Table 4(B)(2) → Temporary reversals
- ✓ Table 4(A)(5) → Re-availment of ITC



<b>Statutory Compliance Calendar - July 2026</b>			
<b>Indirect Tax Laws and SEZ, EOU, STP, Non-STP, SHTP Units etc</b>			
<b>Legislation</b>	<b>Cut Off Date</b>	<b>Frequency</b>	<b>Particulars (Returns / Form )</b>
GST	11	Monthly	Outward Supply Return in Form GSTR- 1
GST	20	Monthly	Summary Return in Form GSTR-3B
GST	10	Monthly	Statement of TCS in Form GSTR-8
GST	13th of Next Month	Monthly	Monthly Return to be filed by Input Service Distributors in Form GSTR-6
SEZ	10	Monthly	Service Export Reporting Form (SERF)
SEZ	15	Monthly	Monthly Performance Report (MPR)
SEZ	Within 30 days from the last date of the export invoice	Monthly	SOFTEX
SEZ	10th of Every Month	Monthly	BLUT Reconciliation and Bond register submission (physical copy)
SEZ		Monthly	DTA Procurement - Services (DSPF)
SEZ		Monthly	DTA Service Procurement Form (DSPF)
SEZ	Within 30 days from end of half year	Half yearly	Half Yearly Performance Report (HPR)
SEZ	Within 30 days from end of quarter	Quarterly	Quarterly Performance Report (QPR)
STPI	10	Monthly	Service Export Reporting Form (SERF)
STPI	10	Monthly	Monthly Performance Report (MPR)
STPI	Within 30 days from the last date of the export invoice	Monthly	SOFTEX
Non-STP	10	Monthly	Service Export Reporting Form (SERF)
Non-STP	10	Monthly	Monthly Performance Report (MPR)
Non-STP	Within 30 days from the last date of the export invoice	Monthly	SOFTEX
Customs	10	Monthly	Form A
<b>Notes:</b>			
<b>Refund of ITC - Application in FORM GST-RFD-01 to be filed within 2 years from the date of Export</b>			
<b>Reply to the notice issued by the Department - Reply to be filed within the time period as specified in the notice</b>			

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*The contents of this newsletter are meant for updating our clients on legal developments and enhancing their knowledge on important issues relating indirect taxation including GST, Customs, SEZ, NON STPI Units, matters administered by DGFT, Customs SVB etc. The contents of this newsletter should not be considered as our opinion on the subject. Should you need our opinion on any of the matters covered in this newsletter, we would be happy to provide our opinion on receipt of your reference.*