



THE INDIRECT EDGE

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I. JUDICIAL PRONOUNCEMENTS

CUSTOMS

EPCG benefit cannot be denied for SEZ supplies due to absence of bill of export

The Delhi High Court in **Holoflex Ltd. v. UOI**¹ has held that export obligation under the EPCG scheme can be fulfilled through supplies made to an SEZ unit, even in the absence of a Bill of Export as proof of such exports.

The Court ruled that benefits under export promotion schemes cannot be denied merely due to the absence of a Bill of Export where sufficient alternative evidence, such

as invoices and Bank Realisation Certificates, establishes the transaction. It further noted that the DGFT had relaxed the requirement of furnishing a Bill of Export for supplies to SEZ units under the Advance Authorisation scheme, and since the underlying situation is comparable, it would be unreasonable to deny similar relief under the EPCG scheme.

SERVICE TAX

Cost sharing in co-branded promotions not sponsorship service

The CESTAT Chennai in **M/s. GR Thanga Maligai v. Commissioner of GST**², has held that joint promotion of 22 karat gold jewellery by the appellant and the World Gold Council, involving shared branding and partial reimbursement of promotional expenses, does not qualify as sponsorship service under Service Tax.

WGC and the appellant had entered into an agreement to promote sale of gold where the branding of WGC would also be present in the promotions undertaken. As per the said agreement, WGC would reimburse 25% of the total media expenses incurred by the Appellant.

The Department alleged that the reimbursement by WGC represented

consideration for sponsorship service provided by the Appellant.

The CESTAT has held that for service tax to apply, there must be a clear service provider recipient relationship and consideration, which was absent in this case. The mere use of WGC's logo or adherence to its branding guidelines did not convert the arrangement into a sponsorship service. Accordingly, the demand of service tax, interest, and penalties was set aside.

Reverse Charge Not Applicable on Services Integral to Electricity Transmission

The CESTAT Chennai in **Tamil Nadu Transmission Corporation Ltd. v. Commissioner of GST & Central Excise**³

¹ 2026 (3) TMI 1257 - DELHI HIGH COURT

² 2026 (3) TMI 1204 - CESTAT CHENNAI

³ 2026 (3) TMI 1371 - CESTAT CHENNAI

has held that inward services having a direct, proximate, and integral nexus with provision of transmission or distribution of electricity services fall within the scope of the exemption available for “services of transmission or distribution of electricity by an electricity transmission or distribution utility”.

The Tribunal observed that the Appellant had received services such as works contract services (for erection and installation of transmission infrastructure) and manpower supply services (for operational support) both of which were integrally connected to the transmission and distribution of electricity. Transmission or distribution of electricity could not be done in a vacuum without ancillary services

required for undertaking the said service. Accordingly, Service Tax on such services would be exempt under reverse charge.

However, the Tribunal held that rent-a-cab services did not have the requisite nexus with transmission or distribution of electricity and therefore did not qualify for the exemption.

BSM Comments: The exemption entry is confined to services of transmission and distribution of electricity. However, this ruling appears to extend the benefit to input services received by the utility for providing such services, which may be open to challenge.

II. Circular

CUSTOMS

CBIC introduces new payment facility on ICEGATE e-payment system

The CBIC has introduced payment aggregator facility on the ICEGATE e-payment platform to simplify and enhance customs duty payments.

This initiative now allows importers to pay duties using credit/debit cards and UPI. It also expands internet banking access to 41 banks through the aggregator, alongside existing modes like NEFT/RTGS.

Initially only ICICI, IOB, SBI, HDFC bank are onboarded as payment aggregators. Subsequently more banks will be added.

Procedure for return of export cargo due to disruption at Strait of Hormuz

The CBIC vide **Circular No. 12/2026-Customs dt. 17.03.2026** has clarified the procedure for bringing back the export cargo to a port other than the original port of departure due to closure of the Strait of Hormuz or similar disruptions. The circular clarifies that the shipping line has to file a separate Sea Arrival Manifest and will be allotted a temporary port code. Also, the vessels carrying bulk liquid/break bulk cargo destined for foreign port may be permitted temporary unloading and storage of cargo with Customs area at the discretion of the Commissioner of Customs.

Abbreviations	Term	Abbreviations	Term
CBIC	Central Board of Indirect Taxes and Customs	SEZ	Special Economic Zone
CESTAT	Customs, Excise And Service Tax Appellate Tribunal	UoI	Union of India
CGST Act	Central Goods & Service Tax, 2017	ITC	Input Tax Credit
CGST Rules	Central Goods & Service Rules, 2017	IGST	Integrated Goods & Service Tax
DGFT	Director General of Foreign Trade	GoI	Government of India
dt.	Dated	GST	Goods & Service Tax
DTA	Domestic Tariff Area	HBP	Handbook of Procedure
EO	Export Obligation	HC	High Court
EPCG	Export Promotion Capital Goods		
ISD	Input Service Distributer	SC	Supreme Court
WGC	World Gold Council	u/s.	Under section

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