



# THE INDIRECT EDGE

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Fortnightly Newsletter



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## I. JUDICIAL PRONOUNCEMENTS

### GOODS AND SERVICES TAX

#### ***State GST officers cannot assess IGST on imported goods***

The Andhra Pradesh HC in **Avanti Feeds Ltd. v. Deputy Commissioner of State Tax**<sup>1</sup> has held that State GST officers do not have jurisdiction to initiate proceedings in respect of IGST on imported goods.

The Court observed that IGST on imported goods are levied and assessed by Customs authorities under the Customs framework as the proviso to Section 5(1) of the IGST Act. Further, u/s 2(2) of the Customs Act, the determination of tariff classification, value, exemption or concession, and the amount of tax payable on imported goods falls within the customs framework. Accordingly, the Court held that the entire process of assessment and recovery of tax is conferred on customs authorities and not on State GST officers.

The Court further clarified that cross-empowerment under GST laws is not universally applicable and applies only where the taxpayer is administratively assigned to the concerned authority. Accordingly, a state officer cannot assume jurisdiction under IGST over a taxpayer assigned to the Central authorities.

On this basis, the impugned notice was set aside for lack of jurisdiction as well as procedural defects.

#### ***No GST on commission paid to pigmy agents by banks***

The Karnataka HC in **M/s. Karnataka Vikas Grameena Bank Belgaum v. UoI**<sup>2</sup> has held that commission paid by banks to pigmy agents is not liable to GST, as such agents qualify as employees and not independent service providers.

The Court observed that the bank exercises persuasive control over the agent, assures minimum remuneration, and provide benefits such as gratuity which are indicia of an employer-employee relationship rather than an independent contractor. Further, the pigmy agents do not undertake activities envisaged under the business facilitator model of the RBI.

Accordingly, services rendered by pigmy agents fall within the exclusion under Schedule III of the CGST Act (services by employee to employer). Consequently, such services do not qualify as “supply” and are not liable to GST under reverse charge.

### CUSTOMS

#### ***Exemption available to imported goods scrapped at the time of manufacture***

The CAAR, New Delhi in **M/s Vivo Mobile India**<sup>3</sup> has held that concessional duty rate

provided under **Notification No. 57/2017-Customs dt. 30.06.2017** for use in manufacture will also be available for goods

<sup>1</sup> 2026 (4) TMI 361 - ANDHRA PRADESH HIGH COURT

<sup>2</sup> 2026 (4) TMI 668 - KARNATAKA HIGH COURT

<sup>3</sup> 2026 (4) TMI 18 - CUSTOMS AUTHORITY FOR ADVANCE RULINGS, NEW DELHI

scrapped during the manufacturing process.

The Authority analysed the wording of the notification and the IGCR Rules, 2022, and held that expression “for use in manufacture” refers to the intended use of inputs in the manufacturing process, and not merely their physical presence in the final product. It was observed that manufacturing loss and scrap are inherent in any production process, and inputs

consumed during such processes cannot be excluded from the benefit merely because they do not ultimately form part of the finished goods.

Accordingly, the Authority held that concessional duty benefit under Notification No. 57/2017 will be available for goods scrapped during the manufacturing process.

## SPECIAL ECONOMIC ZONE

### ***Octroi Exemption for SEZ Units Affirmed Under Promissory Estoppel***

The Bombay HC in **EON Kharadi Infrastructure Pvt. Ltd. v. State of Maharashtra**<sup>4</sup> has held that SEZ developers in Maharashtra are entitled to exemption from local taxes such as octroi based on the State’s SEZ policy under promissory estoppel principle even if corresponding Act was not amended.

The Court noted that the Maharashtra SEZ policy expressly specified for exemption from State and local taxes including octroi to the units in SEZ. However, no corresponding amendments were made to

the relevant provisions of the Maharashtra Municipal Corporations Act and the Octroi Rules to provide such exemption. The High Court held that the State Government had made a clear policy promise and failed to implement it despite having the necessary powers. The High Court further held that the State Government was bound to honour its promise and refund the octroi paid by the petitioner along with interest.

The Court however observed that as the octroi regime itself has since been abolished, no direction for amendment of the rules could now be granted.

## II. Notification

## CUSTOMS

### ***Concessional Customs Duty on SEZ-to-DTA Clearances***

The Government has **issued Notification No. 11/2026-Customs dt. 31.03.2026** prescribing a concessional rate of BCD on

a wide range of goods manufactured by SEZ units when cleared to the DTA.

The benefit is subject to prescribed conditions, including that the SEZ unit must have commenced production on or before 31.03.2025. The said benefit is not

<sup>4</sup> 2026 (4) TMI 425 - BOMBAY HIGH COURT

available to FTWZ units or to goods merely imported into SEZ for clearance to DTA. This notification is effective from 01.04.2026 and remains valid up to 31.03.2027.

The said notification has been issued to combat the impact of global trade disruptions for the SEZ units.

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### ***BCD relief on ethanol imports amid geopolitical tensions***

The Central Government, vide **Notification No. 12/2026-Customs dt. 01.04.2026**, has granted a temporary exemption from BCD on specified ethanol-related products for the period from 02.04.2026 to 30.06.2026. This measure appears to be a proactive

step taken in response to ongoing geopolitical tensions in West Asia and the Middle East. By suspending BCD for a limited period, the Government aims to facilitate cheaper imports and ensure uninterrupted availability of such products.

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### ***RoDTEP scheme extended for further six months***

The Government has extended the RoDTEP Scheme for a further period of six months, from 01.04.2026 to 30.09.2026, without any change in its existing framework ensuring that eligible exports made during this timeframe continue to receive the same benefits at the same rates.

## CENTRAL EXCISE DUTY

### ***Effective export duty on diesel and aviation turbine fuel increased***

The Central Government vide Notification No. 14/2026- Central Excise, Notification No. 15/2026- Central Excise and Notification No. 16/2026- Central Excise dt. 11.04.2026 has revised the export duty applicable on diesel and aviation turbine fuel. The effective excise duty on exports of diesel has been enhanced from ₹21.5 per

litre to ₹55.5 per litre, while the duty on aviation turbine fuel has been increased from ₹29.4 per litre to ₹42 per litre. However, there is no change on export duty on petrol.

This upward revision is expected to impact export economics for refiners and may influence domestic fuel availability and pricing dynamics.


## **III. News Updates**

### **SC to examine customs plea to revise IGST on import of lithium-ion battery**

The SC is examining an appeal by the customs department seeking to levy 28% IGST on imported lithium-ion batteries. The appeal challenges a CESTAT ruling which had allowed a concessional rate of 12% on

such imports when used in manufacturing mobile phones.

The Department has argued that lithium-ion batteries possess an independent commercial identity and separate tariff classification and therefore cannot be treated as “parts” of mobile phones to avail the lower rate.



The outcome of the case will have significant implications for classification disputes and could materially impact cost structures in the mobile manufacturing

sector, particularly where components are imported for assembly in India.

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Abbreviations	Term	Abbreviations	Term
<b>BCD</b>	Basic Customs Duty	<b>FTWZ</b>	Free Trade and Warehousing Zone
<b>CAAR</b>	Customs Authority of Advance Ruling	<b>UoI</b>	Union of India
<b>CESTAT</b>	Customs, Excise and Service Tax Appellate Tribunal.	<b>SEZ</b>	Special Economic Zone
<b>CGST Act</b>	Central Goods & Service Tax, 2017	<b>ITC</b>	Input Tax Credit
<b>CGST Rules</b>	Central Goods & Service Rules, 2017	<b>IGST</b>	Integrated Goods & Service Tax
<b>DGFT</b>	Director General of Foreign Trade	<b>SEZ</b>	Special Economic Zone
<b>dt.</b>	Dated	<b>GST</b>	Goods & Service Tax
<b>DTA</b>	Domestic Tariff Area	<b>RoDTEP</b>	Remission of Duties and Taxes on Exported Products
<b>ICGR Rules</b>	Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules	<b>u/s.</b>	Under section
<b>SC</b>	Supreme Court	<b>HC</b>	High Court

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