



THE INDIRECT EDGE

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BANSI S. MEHTA & co.

I. JUDICIAL PRONOUNCEMENTS

GOODS AND SERVICES TAX

Employees of a company are not liable for penalty in absence of direct benefit

The Bombay HC in **Amit Manilal Haria, Hiren Uday Gada, Atul Hirji Maru v. Joint Commissioner CGST and Central Excise**¹ has held that penalty proceedings u/s 122(1A) of the CGST Act cannot be initiated against the employees of the company. The HC clarified that Section 122(1A) of the CGST Act, applies only where a person (i) retains the benefit of a transaction covered under this section, and (ii) at whose instance such transaction is conducted i.e., both conditions should cumulatively be satisfied. Further, on combined reading of Section 122(1A) and 122(1) the penalty u/s 122(1A) can only be imposed on a “taxable person” which is defined u/s 2(107) of the CGST Act. As the petitioners were merely employees of the company, they have not retained any benefit of the impugned transactions. Further, they are not “taxable person” as defined u/s 2(107). Accordingly, the jurisdictional requirements of Section 122(1A) are not met.

The Court further held that since Section 122(1A) was brought into force with effect from 1.01.2021, it could not be applied retrospectively to earlier periods in view of Article 20(1) of the Constitution. Accordingly, the show cause notices and penalties imposed on the petitioners were quashed.

GST registration not required in a state merely because works contract executed in that state

In **M/s. Safety Controls & Devices limited**², the AAR Rajasthan, has held that in case of “works contract” services being rendered, the supplier is not required to take GST registration in the state where immovable property is situated in absence of a fixed establishment of supplier in that state. The AAR observed that all contractual and billing activities are conducted from its registered office of the Applicant in Lucknow. Further, the Applicant did not have any fixed establishment or office in Rajasthan where the works contract service for construction of immovable property was being rendered. Consequently, the “location of supplier” will be Uttar Pradesh u/s 22 and 2(71) of the CGST Act. Accordingly, the applicant is not required to obtain separate GST registration in Rajasthan merely because the operations of works contract is conducted in that state.

With respect to inward supplies, the AAR clarified that if goods move from Uttar Pradesh/any other state to Rajasthan, the supply would be treated as inter-State and liable to IGST, whereas supplies procured and delivered within Rajasthan would attract CGST and SGST. However, the ruling did not specify about admissibility of the ITC.

¹ 2026-VIL-196-BOM

² 2026 (2) TMI 1098 - Authority for Advance Ruling, Rajasthan

CUSTOMS

No retrospective levy of IGST on re-import of repaired aircrafts and parts

In **Commissioner of Customs Air Cargo Complex (Import) v. Inter Globe Aviation Limited Etc³**, Hon'ble SC has rejected the review petition filed by the customs department seeking retrospective levy of IGST, thereby granting relief to companies in the aviation sector.

The airlines, being scheduled operators, import aircraft and components and periodically send them outside India for maintenance and repairs. Upon reimport of the repaired aircraft/parts, bills of entry are filed. Under the original Notification No. 45/2017-Customs dt. 30.06.2017, airlines were required to pay customs duties on the

fair cost of repairs, insurance and freight at the time of reimport. However, by Notification No. 36/2021-Customs dt 19.07.2021, the Government amended the position to levy IGST in addition to customs duties on such reimports.

The department's contention that the amendment introduced by the 2021 notification should apply retrospectively was rejected by the CESTAT, New Delhi, which held that the amendment notification was prospective in nature. The department thereafter challenged the CESTAT's decision before the SC, which was rejected in July 2025. Subsequently, the department filed a review petition, which has also now been dismissed

II. NOTIFICATIONS

CUSTOMS

RoDTEP rates rationalization

The RoDTEP scheme is an export promotion scheme covered under Chapter 4 of the FTP introduced with the objective of providing a refund of unrefunded central, state, and local taxes/duties embedded in exported goods.

The rebate is generally granted as a percentage of the FOB value, subject to a value cap per unit of the exported product. The rates of rebate and the value cap per unit under RoDTEP are notified in Appendix 4R for DTA units and Appendix 4RE for Advance Authorisation holders

(except deemed exports), EOU, and SEZ units, as applicable.

The Ministry of Commerce and Industry, vide **Notification No. 60/2025-26 dt. 23.02.2026**, has rationalised the RoDTEP rates for all HS Codes as notified in Appendix 4R and Appendix 4RE. The rates have now been restricted to 50% of the existing rates and, where applicable, 50% of the notified value caps, w.e.f. 23.02.2026.

Further, the Ministry issued a **Corrigendum dt. 24.02.2026 to Notification No. 60/2025-26**, clarifying that the reduced rates and value caps under the

³ 2026 (2) TMI 1173 - SC Order.

aforesaid notification shall not apply to export products falling under ITC HS Chapters 01 to 24.

III. NEWS UPDATES

Smartphone makers may get PLI Scheme 2.0

The GoI is considering a fresh round of the PLI scheme for smartphone manufacturers, with the current scheme set to expire in March 2026.

The move is being evaluated to allow the industry to sustain momentum and remain

competitive amidst stiff global competition, tariff dynamics, and cost disadvantages vis-à-vis China. Discussions with industry players are underway, and a revised incentive framework (PLI 2.0) may be introduced from April 2026 to sustain manufacturing and export growth.

Abbreviations	Term
AAR	Authority for Advance Ruling
Anr.	Another
CBIC	Central Board of Indirect Taxes and Customs
CESTAT	Customs Excise & Service Tax Appellate Tribunal
CGST Act	Central Goods & Service Tax, 2017
CGST Rules	Central Goods & Service Rules, 2017
dt.	Dated
DTA	Domestic Tariff Area
EOU	Export Oriented Unit
IGST	Integrated Goods & Service Tax
ITC	Input Tax Credit

Abbreviations	Term
GoI	Government of India
GST	Goods & Service Tax
HC	High Court
PLI	Production Linked Incentive
RoDTEP	Remission of Duties and Taxes on Exported Products
SC	Supreme Court
SEZ	Special Economic Zone
u/s.	Under section
UoI	Union of India
w.e.f	With Effect From

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