

केन्द्रीय कर, केन्द्रीय उत्पाद शुल्क एवं सेवा कर आयुक्त का कार्यालय
OFFICE OF THE COMMISSIONER OF CENTRAL TAX, CENTRAL EXCISE & SERVICE TAX
सिकंदराबाद जीएसटी आयुक्तालय, जीएसटी भवन, एल बी स्टेडियम रोड,
SECUNDERABAD GST COMMISSIONERATE, GST BHAWAN, L.B.STADIUM ROAD
बशीरबाग, हैदराबाद BASHEERBAGH, HYDERABAD – 500 004.
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OR No.40/2021-22-Sec-Adjn-ADC (GST)
DIN: 20231156YO000000EB90

Date:01.11.2023

मूल आदेश सं. / **ORDER-IN-ORIGINAL NO. 33/2023-24-SEC-ADJN-ADC(GST)**

(Passed by SHRI B. VIJAY, Additional Commissioner of Central Tax,
Central Excise and Service Tax, Secunderabad GST Commissionerate)

	p'stavanaa	PREAMBLE
1	यह प्रति उस व्यक्ति के निजी उपयोग के लिए निःशुल्क दी जाती है जिसे यह जारी किया गया है।	This copy is granted free of charge for the private use of the person to whom it is issued.
2	सीजीएसटी नियम, 2017 के नियम 108(1) के अनुसार, धारा 107 की उप-धारा (1) के तहत अपीलीय प्राधिकारी को संबंधित दस्तावेजों के साथ फॉर्म जीएसटी एपीएल-01 में इलेक्ट्रॉनिक रूप से या अन्यथा के रूप में एक अपील दायर की जाएगी। आयुक्त सीमा शुल्क और अप्रत्यक्ष कर हैदराबाद (अपील-द्वितीय) आयुक्तालय, सातवीं मंजिल, जीएसटी भवन, एलबी स्टेडियम रोड, बशीरबाग, हैदराबाद, टीएस-500004 द्वारा अधिसूचित किया जा सकता है, और एक अनंतिम पावती जारी की जाएगी (अपील प्राधिकारी द्वारा) अपीलकर्ता को तत्काल।	As per Rule 108 (1) of the CGST Rules, 2017 an appeal to the Appellate Authority under sub-section (1) of section 107 shall be filed in FORM GST APL-01, along with the relevant documents, either electronically or otherwise as may be notified by the Commissioner of Customs & Indirect Taxes Hyderabad (Appeals-II) Commissionerate, Seventh Floor, GST Bhavan, LB Stadium Road, Basheerbagh, Hyderabad, TS-500004, and a provisional acknowledgement shall be issued (by the Appellate Authority) to the appellant immediately.
3	सीजीएसटी नियम, 2017 के नियम 108 (2) के अनुसार फॉर्म जीएसटी एपीएल-01 में निहित अपील के आधार और सत्यापन के रूप में नियम 26 में निर्दिष्ट तरीके से हस्ताक्षर किए जाएंगे।	As per Rule 108 (2) of the CGST Rules, 2017 the grounds of appeal and the form of verification as contained in FORM GST APL-01 shall be signed in the manner specified in Rule 26 thereof.

सीजीएसटी नियम, 2017 के नियम 108(1) के अनुसार, उप-नियम (1) के तहत अपील दायर करने के सात दिनों के भीतर निर्णय या आदेश की एक प्रमाणित प्रति प्रस्तुत की जानी चाहिए और एक अंतिम पावती, जिसमें अपील संख्या होगी उसके बाद अपीलीय प्राधिकारी या इस संबंध में उसके द्वारा अधिकृत अधिकारी द्वारा फॉर्म जीएसटी एपीएल-02 में जारी की जानी चाहिए: 4 बशर्ते कि जहां निर्णय या आदेश की प्रमाणित प्रति फॉर्म जीएसटी एपीएल-01 दाखिल करने की तारीख से सात दिनों के भीतर प्रस्तुत की जाती है, वहां अपील दायर करने की तारीख अनंतिम पावती जारी करने की तारीख होगी और जहां प्रति सात दिनों के बाद प्रस्तुत की जाती है, अपील दायर करने की तिथि ऐसी प्रति प्रस्तुत करने की तिथि होगी। स्पष्टीकरण - इस नियम के प्रावधानों के लिए, अपील को तभी दायर माना जाएगा जब अंतिम पावती, अपील संख्या को इंगित करते हुए, जारी की जाती है।	As per Rule 108 (3) of the CGST Rules, 2017 a certified copy of the decision or order appealed against shall be submitted within seven days of filing the appeal under sub-rule (1) and a final acknowledgement, indicating appeal number shall be issued thereafter in FORM GST APL-02 by the Appellate Authority or an officer authorized by him in this behalf: Provided that where the certified copy of the decision or order is submitted within seven days from the date of filing the FORM GST APL-01, the date of filing of the appeal shall be the date of the issue of the provisional acknowledgement and where the said copy is submitted after seven days, the date of filing of the appeal shall be the date of the submission of such copy. Explanation- For the provisions of this rule, the appeal shall be treated as filed only when the final acknowledgement, indicating the appeal number, is issued.
सीजीएसटी अधिनियम, 2017 की धारा 107 (6) के अनुसार, सीजीएसटी अधिनियम, 2017 की धारा 107(1) के तहत कोई अपील तब तक दायर नहीं की जाएगी जब तक कि अपीलकर्ता ने भुगतान नहीं किया है- 5 (k) पूर्ण रूप से, कर, ब्याज, जुर्माना, शुल्क और दंड की राशि का ऐसा हिस्सा, जो आक्षेपित आदेश से उत्पन्न होता है, जैसा कि उसके द्वारा स्वीकार किया जाता है; तथा (K) उक्त आदेश से उत्पन्न विवाद में कर की शेष राशि के दस प्रतिशत के बराबर राशि, अधिकतम पच्चीस करोड़ रुपये के अधीन, जिसके संबंध में अपील दायर की गई है।	As per Section 107 (6) of CGST Act, 2017 no appeal shall be filed under Section 107(1) of CGST Act, 2017 unless the appellant has paid— (a) In full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him; and (b) A sum equal to ten per cent of the remaining amount of tax in dispute arising from the said order, subject to a maximum of twenty-five crore rupees, in relation to which the appeal has been filed.

Subject: GST - Short/Nonpayment of GST under Reverse Charge Mechanism and irregular Input Tax Credit (ITC) during the period from July, 2017 to March, 2019 in terms of the provisions of the CGST Act, 2017 by M/s. VILLA ORCHIDS LLP, Secunderabad, GISTIN: 36AANFG4817C1ZH- Issue of Order In Original- Reg.

INTRODUCTION:

M/s. VILLA ORCHIDS LLP, 2nd Floor, 5-4- 187/ 3 and 4, Soham Mansion, M.G.Road, Secunderabad, Hyderabad Telangana-500003. (hereinafter called "the taxpayer") are dealers engaged in the business of supply of Construction of Residential Complex Service falling under SAC 995411 of GST Tariff of India and holders of GISTIN: 36AANFG4817 C1ZH with effect from 01.07.2017. The taxpayer has filed GST Returns including Annual returns for the year 2017-18 (July, 2017 to March, 2018) to 2018-19.

BRIEF FACTS OF THE CASE:

2. Audit on the GST accounts of the taxpayer has been conducted by the Superintendents of Central Tax, Group-12, Circle-I of Audit-II Commissionerate for the year 2017-18 | July, 2017 to March, 2018] to 2018-19 and the following observations were noticed and communicated to the tax payer vide the Final Audit Report No.815 /2020-21-GST dated 11.06.2021 issued by the Assistant Commissioner, Audit II, Circle-I:

(i) **Non-payment of GST under RCM on Brokerage/Commission paid to unregistered persons (Rs.3060/-):** On scrutiny of GST Returns with Balance sheet and Ledgers, it was observed that the taxpayer has not discharged Tax of Rs.3,060/- on payment made to un-registered persons under RCM for the period 01.07.2017 to 12.10.2017 as per Notification No.8/2017- Central Tax Rate Dt.28.06.2017. The details are as under:

Month	Taxable Value (Rs)	CGST@9%	SGST@9%	Total GST payable
Jul,17	8500	765	765	1530
Aug,17	8500	765	765	1530
Total	1700	1530	1530	3060

The tax liability vests on the taxpayer under RCM on purchases from unregistered dealers in terms of Section 9 (4) of the CGST Act, 2017, which prescribes as follows:

"9. Levy and collection.

(4) The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an supplier, pay the tax on reverse charge basis as the recipient of such unregistered supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both"

During the period from 01.07.2017 to 12.10.2017, in respect of purchases from unregistered dealers, the taxpayer has not paid GST in contravention of Section 9 (4) of the CGST Act, 2017 read with Notification No.08/2017-Central Tax (Rate) dated 20.06.2017 as amended by Notification No.38/2017-Central Tax (Rate) dated 13.10.2017 issued by the Government under Section 9(4). Therefore, the tax amount of Rs.3,060/- (CGST:Rs. 1,530/- (+) SGST:Rs. 1,530/-) along with applicable interest and applicable penalty are recoverable from the taxpayer under Section 74 (1), Section 50 and Section 74 (1) of respectively of the CGST Act, 2017.

(ii) Interest for delayed filing of GSTR-3B returns for the months of July, 2017, August, 2017 and October, 2017: On verification of GSTR-3B returns filed by the party, it was observed that there is a delay in filing of GSTR-3B returns for the Months July, 2017, August,2017 and October, 2017 as detailed hereunder:

Month	Cash paid in Rs.	Due date	Filed date	Delay	Interest @ 18% payable
Jul-17	188774	25.08.2017	02.09.2017	5	466
Aug-17	48092	20.09.2017	03.10.2017	13	308
Oct-17	4008	20.11.2017	17.12.2017	27	53
Total:					827

Interest liability is concurrent with tax liability on the taxpayer in terms of Section 50 of the CGST Act, 2017 which reads as under:

Section 50. Interest on delayed payment of tax. -

(1) Every person who is liable to pay tax in accordance with the provisions of this Act or the rules made thereunder, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding eighteen per cent., as may be notified by the Government on the recommendations of the Council.

Rate of interest prescribed @18% for Sub-section (1) of section 50 of the CGST Act, 2017 vide Notification No. 13/2017 - Central Tax, dated the 28th June, 2017. The tax payer is liable to pay interest amount of Rs.827/- under Section 50 along with applicable penalty under Section 125(5) of CGST Act-2017.

(iii) Non-payment of GST on Advances received in FY,2017-18 and 2018-19: As per Section 13 of CGST Act, 2017, reproduced below:

Section 13. Time of supply of services.

(1) The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section.

(2) The time of supply of services shall be the earliest of the following dates, namely:

(i) the date of issue of invoice by the supplier, if the invoice issued within the period prescribed under sub-section (2) of section 31 or the date of receipt of payment, whichever is earlier; or

(ii) the date of provision of service, if the invoice is not issued within the period prescribed under sub-section (2) of section 31 or the date of receipt of payment, whichever is earlier;

The details are as under:

Description	2017-18	2018-19	Total
SALES AS PER P&L	198345402	204489452	402834854
TURNOVER AS PER GSTR 9C	206465103	206601387	413066490
AMOUNTS RECEIVED THROUGH CHEQUES	116714926	298469294	415184220
NON-GST / EXEMPTED	2017-18	2018-19	Total
SUPPLY(Sale of Land)	144185500	2257500	146443000
TAXABLE SUPPLY (INCLUDING TAX) i. e. Construction Service	8781302	82261636	9104f2938
Total			237485938

During the period 2017- 18 and 2018-19, it was observed that the taxpayer has received an amount of Rs.41,51,84,220/- through cheques. Out of this

amount, the taxpayer has paid tax on the taxable value of Rs.7,71,55,032/- at the rate of 18%. The taxpayer has claimed Rs.14,64,43,000/- towards exempted Sales (Sale of Land). Thus the taxpayer has not paid Tax on the differential Turnover of Rs.17,76,98,282/- which worked out to Rs.1,59,92,845/- (CGST @9%) and Rs.1,59,92,845/- (SGST @9%). The details are as under:

Total receipts during FY 2017- 18 and 2018-19	41,51,84,220
Invoice raised during FY 2017- 18 and 2018-19 against Sale of land.	14,64,43,000
Tax already paid during 2017- 18 and 2018-19 (including tax) taxable value Rs.7,71,55,032/-	9,10,42,938
Differential amount for Construction service	17,76,98,282

In view of the above, the tax payer is liable to pay tax amount i.e., CGST:Rs.1,59,92,845/- @9% and SGST Rs. 1,59,92,845/- @9% on taxable value of Rs.17,76,98,282/- along with applicable interest and penalty under Section 74 (1), Section 50 and Section 74 (1) of respectively of the CGST Act, 2017.

(iv) Ineligible ITC availed during the FY-2018-19: During audit of the records of the taxpayer for the period from April, 2018 to March, 2019, it appeared that the taxpayer has wrongly claimed Input Tax Credit to the extent of Rs.44,51,756/- (Rs.22,25,878/- of CGST, 22,25,878/- of SGST). The said irregular ITC is recoverable along with interest and penalty under Section 50 and 74 of the CGST Act, 2017, SGST Act, 2017 and the said provisions of the CGST Act-2017.

Description	IGST	CGST	SGST	Total ITC
GSTR-2A (Dynamic as on 10.12.21) Grand Total for FY 2018-19	850665	5087976	5087976	11026617
GSTR-3B Returns ITC claimed and shown @ Tab-6B and Tab-8B	70696	7313854	7313854	14698404
Net excess ITC over and above of GSTR-2A Returns	779969	-2225878	-2225878	-4451756

In terms of Section 16(2) of the CGST Act, 2017 stipulates conditions for availing ITC by the Registered person. Section 16(2) as existing during the material period is reproduced below:

(2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,

(a) he is in possession of a tax invoice or debit note issued by registered under this Act, or such other tax paying documents as may be supplier prescribed;

(b) he has received the goods or services or both.

Explanation.-*For the purposes of this clause, it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;*

(c) subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and

(d) he has furnished the return under section 39.

In terms of Section 16(2)(c) of the CGST Act, 2017, one of the conditions for availing ITC by the recipient customer is that the tax charged in respect of the supply has been paid to the Government by the supplier. However, the taxpayer did not produce any evidence in support of payment of GST to the Government by the supplier to the extent of the said amount of credits. Similar provisions exist under the Telangana State Goods and Services Tax Act, 2017 and the CGST Act, 2017 made applicable to IGST Act, 2017 also.

Section 41 of CGST Act 2017: Claim of input tax credit and provisional acceptance thereof.

(1) Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to take the credit of eligible input tax, as self assessed, in his return and such amount shall be credited on a provisional basis to his electronic credit ledger.

Section 42 of CGST Act 2017: Matching, Reversal and Reclaim of Input Tax Credit (CHAPTER IX - RETURNS):

- (1) The details of every inward supply furnished by a registered person (hereafter in this section referred to as the "recipient") for a tax period shall, in such manner and within such time as may be prescribed, be matched-
- (a) with the corresponding details of outward supply furnished by the corresponding registered person (hereafter in this section referred to as the "supplier) in his valid return for the same tax period or any preceding tax period;
 - (b) with the integrated goods and services tax paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him; and
 - (c) for duplication of claims of input tax credit.

(vi)(f) Further Rule 36 of the CGST Rules 2017, lays down the documentary requirements and conditions for claiming ITC as below:

As per Rule 36 which prescribes the documentary requirements and conditions for claiming input tax credit.

(1) The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents, namely, -

- (a) an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31;
 - (b) an invoice issued in accordance with the provisions of clause (f) of sub section (3) of section 31, subject to the payment of tax;
 - (c) a debit note issued by a supplier in accordance with the provisions of section 34;
 - (d) a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for the assessment of integrated tax on imports;
 - (e) an Input Service Distributor invoice or Input Service Distributor credit note or any document issued by an Input Service Distributor in accordance with the provisions of sub-rule (1) of rule 54;
- (2) Input tax credit shall be availed by a registered person only if all the applicable particulars as specified in the provisions of Chapter VI are contained in the said document, and the relevant information, as contained in the said document, is furnished in FORM GSTR-2 by such person.

In view of the above provisions, it is seen that ITC can be availed by a registered taxpayer only if all applicable particulars specified in the Tax

Invoice (under Chapter VI of the Rules, *ibid*) are furnished in the Form GSTR-2A of the taxpayer.

When the supplier files GSTR -1 Return in any particular month disclosing his sales, the corresponding details are captured in the GSTR - 2A of the recipient. Hence, the amount of ITC available as disclosed in Table 4A must match with tax details disclosed in Form GSTR -2A. It is important to reconcile Form GSTR - 3B and Form GSTR - 2A. The excess Input Tax credit is not appearing in the GSTR 2 A of the taxpayer for the relevant period. Hence, it appeared that the supplier of the recipient has not paid the tax to the Government to that extent of the amount not appearing in the GSTR 2A.

Hence, it appeared that the taxpayer is not eligible for Rs.44,51,756/- (Rs.22,25,878 of CGST and Rs.22,25,878 of SGST). The taxpayer was requested to pay the said ineligible ITC along with interest and penalty as applicable along with other paras.

3. Reply of the taxpayer: The taxpayer has been requested to comply the payment involved in the above objections from para 2(i) to 2 (ii) vide the Superintendent of Central Tax, Group 12's C No V/01/GST/81/2020-Gr. 12/Cir-1 dated 27.03.2021 and C.No.V/01/GST/78/2020-Gr. 12/Cir-I dated 08,04.2021 and for para 2(iv) regarding excess claim of 1TC for 2018-19 communicated by Superintendent of Central Tax, Group-12's letter C.No.V/01/GST/78/2020-Gr.12/Cir-1 dated 29.12.2021 vide DIN 20211256VS0000999BAO. In reply to the same, the taxpayer vide his letter dated 27.05.2021 has submitted, observation wise that:

(i) Para-1: Non payment of GST under RCM on Brokerage/Commission paid to unregistered persons: We contend that there is no liability, but, however, the amount being nominal, we wish to remit along with interest and request you to drop further proceedings in this regard. The payment was made thorough DRC-03 ARN No.D1362200171423 dated 31.12.2020.

Verification: On verification of DRC-03 ARN No.D1362200171423 dated 31.12.2020, it was found that the payment made voluntarily under Section 73(5) was CGST:Rs.45,275/- and SGST:Rs.45,275/- but not the amount of Rs.3060/- involved in the objection.

(ii) Para 2: Interest for delayed filing of GSTR-3B Returns for the months July. 2017, August, 2017 and October, 2017: In this regard, we would like to submit that we have paid an amount of Rs.827/- towards interest vide CPIN: 21053600068521 dated 27.05.2021.

Verification: On verification, it is found that DRC-03 is not submitted but only paid Challan CPIN: 21053600068521 dated 27.05.2021 submitted which is not sufficient unless cash debit is affected through DRC-03.

(iii) Para-3: Non-payment of GST on Advances received in FY.2017-18 and 2018-19: In this regard, we wish to submit that the project undertaken by us got completed & all units were sold by now and received the completion certificate also. The customers also have paid the amounts towards the sale of Villas. We have remitted the applicable GST also (including the advance received in FY 2017-18, 2018-19, 2019-20 & 2020-21 as shown below:

Sl. No.	Particulars	July, 2017 to Marh, 2021
1	Total receipts	70,67,62,816
2	Less:Land (exempt sales)	32,04,85,000
3	Less: Non-taxable receipts (Stamp duty, registration charges, GST etc.)	7,09,77,240
4	Net Taxable Value	31,53,00,570
5	Declared in GST returns	31,07,73,154
6	Difference to be declared	45,27,417
7	GST payable on the above 6	8,14,935

The year wise reconciliation is enclosed as Annexure III. Further, it is submitted that the major portion of the liability was paid through ITC in which case there is no interest liability on the belated remittance of the GST, if any to that extent.

Verification: The period of audit undertaken is from July, 2017 to March, 2019 and the audit s observation is limited to this period only. It is found that total receipts (advances received through as per ledger) is Rs.41.51,84,220/- whereas for the same period as per the reconciliation sheet submitted [Annexure-III] by the taxpayer, it is Rs.22,28,82,098/-. However, in the present context, the reconciliation made by the taxpayer for the period from 2017-18 to 2020-21 is not relevant. The taxpayer's contention should be limited to the involved liability of Rs.3,19,85,690/- (CGST:Rs.1,59,92,845/-@9% and SGST Rs. 1,59,92,845/-) only as per the objection raised in the FAR.

4. Invocation of extended period alleging suppression of facts: The provisions for invoking extended period of limitation due to suppression etc.,

are prescribed under Section 74 (1), 74 (5) to 74 (7) of the CGST Act, 2017 as under:

74. Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised by reason of fraud or any willful misstatement or suppression of facts.-

(1) Where it appears to the proper officer that any tax has not been paid or short paid or erroneously refunded or where input tax credit has been wrongly availed or utilised by reason of fraud, or any wilful-misstatement or suppression of facts to evade tax, he shall serve notice on the person chargeable with tax which has not been so paid or which has been so short paid or to whom the refund has erroneously been made, or who has wrongly availed or utilised input tax credit, requiring him to show cause as to why he should not pay the amount specified in the notice along with interest payable thereon under section 50 and a penalty equivalent to the tax specified in the notice.

(5) The person chargeable with tax may, before service of notice under sub-section (1), pay the amount of tax along with interest payable under section 50 and a penalty equivalent to fifteen per cent. of such tax on the basis of his own ascertainment of such tax or the tax as ascertained by the proper officer and inform the proper officer in writing of such payment.

(6) The proper officer, on receipt of such information, shall not serve any notice under sub-section (1), in respect of the tax so paid or any penalty payable under the provisions of this Act or the rules made thereunder.

(7) Where the proper officer is of the opinion that the amount paid under sub section (5) falls short of the amount actually payable, he shall proceed to issue the notice as provided for in sub-section (1) in respect of such amount which falls short of the amount actually payable.

4.1. Factors for alleging the suppression etc., and consequential penalties:
The above issues of non- payment Tax/non-reversal of ITC on the issues at Para 2(i) to 2(iii) & 2(iv) came to light only during audit of the taxpayers' records by the Department. The subject issues were never intimated to Department nor Sought such tax liability correctly in any of the statutory returns and further have filed the clarification from the Department. It is also observed that the taxpayer has not reflected such tax liability correctly in any of the statutory returns and further have filed the Annual Return GSTR-9 or GSTR-9C without taking cognizance of the RCM. While filing STR-9C for the year 2017-18 & 2018-19, the taxpayer has not reversed mismatched with GSTR-3Bs fled. Hence the Department was not in the

knowledge the subject issue prior to the conduct of Audit. This non-payment therefore appeared to be a deliberate avoidance or evasion of tax on the part of the taxpayer.

4.2. Further, the taxpayer cannot claim ignorance in as much as they are operating under GST for nearly 4 years. Since the taxpayer has been registered with the department for many years, it can be reasonably assumed that they are well versed with the provisions of the law. In the regime of self-assessment under Section 59 of the CGST Act, 2017, greater responsibility and trust is placed on the taxpayer to correctly assess, pay and declare the tax liability. In doing so, it appeared that they have suppressed these facts, which have seen the day of light only during verification of records by the Departmental officers. Whereas the taxpayer has agreed to the first two objections and the involved amount stated to have been paid but not paid and but did not care to contend the Para-2 (iii) in true spirit and give a confusing and ambiguous reply giving the data from July, 20 17 to March, 2021 which is found to have not been according to the objection raised. On the objection at Para-3 also, the taxpayer did not respond or filed any written defensive reply till date of issue of this show cause notice.

4.3. All these actions/inactions indicate that the taxpayer has suppressed the facts with intent to evade the interest penalty as applicable. Therefore, this is a fit case for demanding the duty from the taxpayer by invoking extended period in terms of Section 74(1) of the CGST Act, 2017 along with the applicable interest in terms of section 50(1) of the CGST Act, 2017. Further, it appeared that the taxpayer is also liable for a penalty in terms of Section 74 (1) of the CGST Act, 2017.

5. In view of the foregoing, a notice vide C. No.V/01/GST/78/2020-GR.12/CIR-I dated 05.01.2022 was issued to M/s. VILLA ORCHIDS LLP, 2nd Floor, 5-4-187/ 3 and 4, Soham Mansion, M.G.Road, Secunderabad, Hyderabad, Telangaana-500003, to show cause to the Additional/Joint Commissioner of Central Tax & GST, Secunderabad GST Commissionerate, 7th Floor, GST Bhavan, Hyderabad, Telangana, 500004, within thirty (30) days of receipt of this notice as to why:

(i) An amount of total GST of Rs.3,060/- (CGST:Rs. 1,530/ - (+) SGST:Rs. 1,530/-) (Rupees Three Thousand and Sixty only) for the year 2017-18

should not be demanded from the taxpayer under Section 74 (1) of the CGST Act, 2017;

(ii) Interest as applicable should not be demanded from the taxpayer in terms of Section 50 (3) of the CGST Act, 2017 on the proposed demand of Rs.3,060/- as mentioned at Sl.No.(i) above;

(iii) Penalty equal to the demand at Sl. No.(i) should not be imposed on the taxpayer in terms of Section 74 (1) of the CGST Act. 2017; However, the taxpayer has the option to pay the reduced penalty of 25% in terms of Section 78 (8) of the CGST Act, 2017 subject to the condition that the said tax along with interest payable under section 50 and a penalty equivalent to twenty five percent of such tax within thirty days of issue of this notice;

(iv) Interest of Rs.827/-(Rupees Eight Hundred and Twenty Seven Only) (CGST:Rs.413.50 (+) SGST: Rs,413.50) should not be demanded from the taxpayer in terms of Section 50 of the CGST Act, 2017;

(v) Penalty as applicable under Section 125 (5) of the CGST Act. 2017 should not be imposed on them;

(vi) An amount of Rs.3,19,85,690/- (CGST Rs.1.59,92,845/ - @9% and SGST Rs.1,59,92,845/-) during the year 2017-18 & 2018-19 should not be demanded by/from the taxpayer Section 74 (1) of the CGST Act, 2017;

(vii) Interest as applicable should not be demanded from the taxpayer in terms of Section 50 of the CGST Act. 2017 on the proposed demand of Rs.3,19,85,690/- as mentioned at Sl. No.(vi) above;

(viii) Penalty equal to the demand at Sl. No.(vi) should not be imposed on the taxpayer in terms of Section 74 (1) of the CGST Act, 2017; However, the taxpayer has the option to pay the reduced penalty of 25% in terms Section 74 (8) of the CGST Act, 2017 subject to the condition that the said tax along with interest payable under section 50 and a penalty equivalent to twenty-five per cent. of such tax within thirty days of issue of this notice;

(ix) An amount of Rs.44,51,756/- (CGST Rs.22,25,878/- (+) SGST Rs.22,25,878/-) (Rupees Forty Four Lakhs Fifty One Thousand Seven Hundred and Fifty Six Only) should not be demanded from the taxpayer in terms of Section 74 (1) of the CGST Act, 2017;

(x) Interest as applicable should not be demanded from the taxpayer in terms of Section 50 of the CGST Act, 2017 on the proposed demand of as mentioned at Sl. No. (ix) above;

(xi) Penalty equal to the demand at Sl. No.(ix) should not be imposed on the taxpayer in terms of Section 74 (1) of the CGST Act, 2017; However, the taxpayer has the option to pay the reduced penalty of 25% in terms Section 74 (8) of the CGST Act, 2017 subject to the condition that the said tax along with interest payable under section 50 and a penalty equivalent to twenty-five per cent. of such tax within thirty days of issue of this notice;

6. Reply to the notice: The taxpayer through his authorized representative M/s HNA & Co LLP submitted reply to the notice vide his letter dated 04.08.2023. His submissions as mentioned in the reply are reproduced hereunder:

(1) Noticee submits that they deny all the allegations made in Show Cause Notice (SCN) as they are not factually/legally correct.

(2) Noticee submits that the provisions (including Rules, Notifications & Circulars issued thereunder) of both the CGST Act, 2017 and the Telangana GST Act, 2017 are the same except for certain provisions. Therefore, unless a mention is specifically made to any dissimilar provisions, a reference to the CGST Act, 2017 would also mean a reference to the same provision under the TGST Act, 2017. Similarly, the provisions of CGST Act, 2017 are adopted by IGST Act, 2017 thereby the reference to CGST provisions be considered for IGST purpose also, wherever arises.

In Re: Impugned notice is not valid

Notice issued on assumptions and presumptions

(3) Noticee submits that impugned SCN was issued with prejudged and premeditated conclusions on various issues raised in the notice. That being a case, issuance of SCN in that fashion is bad in law and requires to be dropped. In this regard, reliance is placed on **Oryx Fisheries Pvt. Ltd. v. Union of India — 2011 (266) E.L.T. 422 (S.C.)** wherein it was held that *“It is obvious that at that stage the authority issuing the charge-sheet, cannot, instead of telling him the charges, confront him with definite conclusions of his alleged guilt. If that is done, as has been done in this instant case, the entire proceeding initiated by the show cause notice gets vitiated by unfairness and bias and the subsequent proceeding become an idle ceremony.”*

(4) Noticee submits that the subject SCN is issued based on mere assumption and unwarranted inference, interpretation of the law without considering the intention of the law, documents on record, the scope of activities undertaken, and the nature of activity involved, the incorrect basis

of computation, creating its own assumptions, presumptions. Further, they have arrived at the conclusion without actual examination of facts, provisions of the CGST Act, 2017. In this regard, Noticee relies on the decision of the Hon'ble Supreme Court in case **Oudh Sugar Mills Limited v. UOI, 1978 (2) ELT 172 (SC)**

Notice is vague and lack of details

(5) Noticee submits that the impugned notice has not given clear reasons as to how the Noticee has availed the irregular credit and why there is short payment of tax, therefore, the same is lack of details and hence, becomes invalid. In this regard, reliance is placed on

- a. CCE v. Brindavan Beverages (2007) 213 ELT 487(SC) the Hon'ble Supreme Court held that *"The show cause notice is the foundation on which the department has to build up its case. If the allegations in the show cause notice are not specific and are on the contrary vague, lack details and/or unintelligible that is sufficient to hold that the noticee was not given proper opportunity to meet the allegations indicated in the show cause notice."*
- b. Dayamay Enterprise Vs State of Tripura and 3 OR's. 2021 (4) TMI 1203 - Tripura High Court
- c. Mahavir Traders Vs Union of India (2020 (10) TMI 257 - Gujarat High Court)
- d. Teneron Limited Versus Sale Tax Officer Class II/Avato Goods and Service Tax & Anr. (2020 (1) TMI 1165 - Delhi High Court)
- e. Nissan Motor India Private Limited, Vs the State of Andhra Pradesh, The Assistant Commissioner (CT) (2021 (6) TMI 592 - Andhra Pradesh High Court)

From the invariable decisions of various High Courts, it is clear that the notice without details is not valid and the same needs to be dropped.

(6) Noticee submits that Noticee has not received any summary of the proposed demand in Form DRC-01 electronically till date which is mandated as per Rule 142(1) of CGST Rules, 2020 when a demand notice is issued under Section 74 of CGST Act, 2017. In this regard, Noticee submits that Rule 142(1) of CGST Rules, 2017 reads as follows:

"Rule 142. Notice and order for demand of amounts payable under the Act

(1) The proper officer shall serve, along with the

(a) Notice issued under section 52 or section 73 or section 74 or section 76 or section 122 or section 123 or section 124 or section 125 or section 127 or section 129 or section 130, a summary thereof electronically in FORM GST DRC-01 ,

(b) statement under sub-section (3) of section 73 or sub-section (3) of section 74, a summary thereof electronically in FORM GST DRC-02 , specifying therein the details of the amount payable.”

(7) Noticee submits that summary of notice in Form DRC – 01 was neither uploaded online nor served along with Show Cause Notice. Further, no statement containing details of amount payable was issued to the Noticee. Thus, the notice is not issued in consonance with the Rules framed under this act and on this ground alone the entire notice is liable to be quashed and dropped.

(8) In this regard, Noticee wishes to rely on the Judgement of Hon’ble Madhya Pradesh High Court in the case of **Mr. Akash Garg vs. The State of MP** [2020-TIOL-2013-HC-MP-GST] wherein the Hon’ble High Court has held that

“6.1 A bare perusal of the aforesaid provision reveals that the only mode prescribed for communicating the show-cause notice/order is by way of uploading the same on website of the revenue.

7. The State in its reply has provided no material to show that show-cause notice/orders No.11 and 11a dated 10.06.2020 were uploaded on website of revenue. In fact, learned AAG, Shri Mody, fairly concedes that the show-cause notice/orders were communicated to petitioner by E-mail and were not uploaded on website of the revenue.

8. It is trite principle of law that when a particular procedure is prescribed to perform a particular act then all other procedures/modes except the one prescribed are excluded. This principle becomes all the more stringent when statutorily prescribed as is the case herein.

9. In view of above discussion, this Court has no manner of doubt that statutory procedure prescribed for communicating show-cause notice/order under Rule 142(1) of CGST Act having not been followed by the revenue, the impugned demand dated 18.09.2020 vide Annexure P/1 and P/2 pertaining to financial year 2018-2019 and 2019-2020 and tax period September, 2018 to March, 2019 and April, 2019 to May, 2019 respectively, deserves to be and is struck down.”

(9) Noticee submits that in the case of Pazhayidom Food Ventures (P) Ltd. Versus Superintendent Commercial Taxes, Addl. R2. Superintendent CGST,

Pala., 2020-TIOL-1053-HC-Kerala-GST the Hon'ble Kerala High Court held that *"Learned counsel appearing on behalf of the petitioner submits that the show cause notice in Form GST REG-17 did not mention about the date, month and year as well as the time for appearance of the petitioner. The contents of the same are vague and do not commensurate with the format prescribed in Central Goods and Service Tax Rules, 2017 where a column of day, month and year has been prescribed. It is on that account this Court had issued notice and sought the comments thus impelling to invoke, the extraordinary jurisdiction of this Court as the order under challenge is without jurisdiction."*

(10) Noticee submits that in the above-referred decision, the Hon'ble High Court has set aside the order because the contents in the form prescribed in rules are not filled properly. In the instant case, the Form DRC-01 which was prescribed in rules itself has not been given to Noticee thereby there is no question of validating the present notice which was issued without issuing the summary of demand in Form DRC-01. Hence, the impugned notice needs to be dropped.

(11) Noticee further submits that in the case of NKAS Services Pvt Ltd Vs State of Jharkhand, 2022 (58) G.S.T.L.257 (Jhar) the Hon'ble Jharkhand High Court held that *"SCN issued in a format without even striking out any irrelevant portions and without stating contraventions committed by petitioner - Summary of SCN as issued in Form GST DRC-01 in terms of Rule 142(1) of Jharkhand Goods and Services Tax Rules, 2017 cannot substitute requirement of proper show cause notice - Summary of SCN not discloses information as received from headquarter/ Government treasury as to against which works contract service completed or partly completed, petitioner had not disclosed its liability in returns filed under GSTR-3B - Impugned show cause notice did not fulfil ingredients of proper show cause notice and there was violation of principles of natural justice - Accordingly, impugned notice and summary of show cause notice in Form GST DRC-01 quashed."*

Separate SCN to be issued for CGST & SGST

(12) Noticee further submits that three types of ITC and outward supplies are proposed to be denied and demanded in the present SCN i.e. ITC of IGST, CGST and SGST availed under the corresponding enactments which are separately enacted. The section 6(2) of CGST Act, 2017 also specifies that separate notice and orders are required to be issued. That being a case, the separate notice is required to be issued raising the demands under that

corresponding law. For instance, the demand raised under IGST law requires separate notice and CGST demand requires separate notice whereas the present case, all three demands are raised in a single notice and no bifurcation for the same has provided for. Hence, the notice is issued in violation of Section 6(2), *ibid*.

In Re: No GST under RCM on Brokerage/Commission paid to an un-registered person:

(13) Noticee submits that the impugned notice vide Para 2(i) have stated that the Noticee is liable to pay an amount of Rs. 3,060/- on payment to un-registered persons under RCM for the period 01.07.2021 to 12.10.2017.

(14) In this regard, Noticee submits that the reverse charge liability under section 9(4) of CGST Act, 2017 was exempted vide Notification No. 8/2017 – Central Tax (Rate) dated 28.06.2017 with a condition that the payments to unregistered persons shall not exceed Rs.5,000/- in a day.

(15) However, the Notification No. 38/2017 – Central Tax (Rate) dated 13.10.2017 was issued removing the condition of Rs.5,000/- per day with retrospective effect in absence of any savings clause therein and the objective of the amendment. Hence, there is no liability to be paid against the demand proposed in the Show Cause Notice.

(16) Noticee submit that the omission of the proviso vide notification No. 38/2017-CT(R) dated 13.10.2017 *ibid* would mean deletion of such provision completely from the statute book as if it had never been passed, and the statute must be considered as a law that never existed. Further, if there is no saving clause in favor of pending proceedings then it can be reasonably inferred that the intention of the legislature is that the pending proceeding shall not continue but a fresh proceeding for the same purpose may be initiated under the new provision. Therefore, Noticee submit that the proviso which was omitted by the Notification No. 38/2017-CT(R) dated 13.10.2017 *ibid*, which resulted in all the URPs becoming exempt, is deemed to have effect from 01.07.2017, Therefore, Noticee is of the belief that the GST is not required to be discharged on the supplies received from URP's.

(17) However, not to litigate the matter and the amount being nominal, the same is paid by executing a DRC-03. **The payment was made through DRC-03 ARN No. AD36122007137K dated 19.12.2022** (Copy of DRC-03 is enclosed as annexure-III).

In Re: Interest already discharged on delayed filing of GSTR-3B Returns

(18) With respect to the above, the show cause notice has proposed to demand an amount of Rs. 827/- towards interest liability for delayed filing of GSTR-3B returns.

(19) In this regard, we would like to submit that we have paid an amount of Rs. 827/- towards interest vide DRC – 03 ARN No.AD3612220071540 dated 19.12.2022 (Copy of DRC-03 are enclosed as Annexure- IV).

In Re: No short payment of GST

(20) Noticee submits that as stated in the background facts, the total development consists of about 343 villas on about 21 acres of land. The entire project has been developed by M/s. Sri Venkataramana Construction (hereinafter referred as SVRC), Ram Reddy, Vikram Reddy, Aruna Reddy and others wherein the Noticee was appointed as a sole selling agent by SVRC under an agreement dated 13-11-2014. Under this agreement, the Noticee had sold 88 villas and received consultancy charges for the same. This was during the service tax regime (i.e, prior to 01.07.2017) and service tax was appropriately paid on the revenue.

(21) Subsequently, SVRC agreed to enter into a co-development model wherein SVRC would sell the plot of land to prospective customers and Noticee would construct the villa thereon. SVRC was responsible for developing the entire layout including utilities, roads, parks, compound wall, clubhouse and other common amenities at its cost. Permits were also obtained by SVRC at its cost. Noticee was responsible only for construction of the villa on each plot at its cost.

(22) Under the scheme of co-development and to help prospective purchasers to obtain housing loans, SVRC executed AGPAs in favour of Noticee for each plot, as and when Noticee identified a customer who was interested in purchasing the plot of land along with the villa constructed thereon. SVRC accepted payment of consideration for the plot in installments to enable Noticee collect the said amounts from prospective purchasers and thereafter pay SVRC.

(23) In most of the cases AGPAs were executed post AOS and in some cases amounts were released by housing finance companies directly to SVRC. In each and every case, land was transferred to prospective customers by SVRC and Noticee represented SVRC as power of attorney. Not even a single plot has been registered by way of sale deed in favour of Noticee which shows that the Noticee is not the owner of the land.

(24) Noticee has developed 112 villas under a co-developer model. Thereafter, the understanding between SVRC and VOC was terminated on mutual agreement and amicably.

(25) From the above referred arrangement, it is clear that Noticee was never owner of the land/plot. It was only a vehicle for transferring the plot from SVRC to prospective purchasers. At best Noticee was a glorified contractor. Accordingly, Noticee is only liable to pay GST @ 18% on the amounts received towards agreement of construction. Therefore, Noticee has not considered the valuation mechanism provided under Notification No.11/2017(CT)R dated 28.06.2017.

(26) Noticee submits that since the Noticee is not the owner of the land and is only providing pure construction services, Noticee has paid GST @18% on the amount received towards construction agreements. Therefore, Noticee has not followed the SI No.02 to Notification No.11/2017-CT® dated 28.06.2017.

(27) In this regard, Noticee submit that the project undertaken by us got completed & possession was handed over to the customers. The customers also have paid all the amounts towards the sale of Villas. Noticee have remitted the applicable GST also (including the advances received in FY 2017-18 & 2018-19) as shown below:

	Particulars	July 2017 to March 2021
A	Total receipts	70,67,62,816
B	Less: Land (exempt sales)	32,04,85,000
C	Less: Non-taxable receipts (Stamp duty, registration charges, GST etc.,)	7,09,77,246
D	Net taxable value	31,53,00,570
E	Declared in GST returns	31,07,73,154
F	Difference to be declared	45,27,417
G	GST paid on the above (F)	8,14,935

The Year wise reconciliation is enclosed as annexure V. Further, it is submitted the major portion of the liability was paid through ITC in which case there is no interest liability on the belated remittance of the GST, if any to that extent.

(28) Noticee submits that the impugned notice vide Para 4 alleged that the the Noticee has given reconciliation for the period from 2017-18 to 2020-

21 however, the disputed period is only July 2017 to March 2019 and requested us to give explanation only for the disputed period.

(29) In this regard, Noticee submits that during the initial stages of implementation of GST, Noticee is completely unaware of the procedure to be followed for making payment of GST. Further, all the accountants in the entity are new to the real estate industry, therefore, the monthly returns were not filed properly.

(30) Subsequently, Noticee has identified the mistake in calculation of GST liability and the payment of GST, Noticee has re-calculated the liability and discharged the same in subsequent years. Since the taxes were paid in subsequent years, Noticee has given recalculation for the entire project. Hence, Noticee request to consider the same and drop further proceedings in this regard.

(31) Noticee submits that the summary of the GST liability for the period July 2017 to March 2018 and April 2018 to March 2019 is as follows

SI No	Particulars	2017-18	2018-19	Total
A	Total receipts as per Noticee	11,55,29,926	29,57,75,294	41,13,05,220
B	Less: Received towards sale of land	11,20,38,682	19,07,87,289	30,28,25,971
C	Received towards construction services (A-B)	34,91,244	10,10,37,526	10,45,28,770
D	Add: Other taxable services	-	57,043	57,043
E	Total taxable receipts	34,91,244	10,10,94,569	10,45,85,813
F	Tax at 18%	6,28,424	1,81,97,022	1,88,25,446
G	Taxes already paid in GSTR-3B	14,83,268	1,25,42,424	1,40,25,692
	Short paid/(Excess paid)	(8,54,844)	56,54,598	47,99,754

From the above referred table, it is clear that there is no short payment of GST for the period July 2017 to March 2018. In fact, there is an excess payment of GST. For the period, April 2018 to March 2019, there is a short payment of GST which was paid in subsequent years. The detailed calculation of liability and the details of payment are enclosed as Annexure

(32) Noticee submits that the impugned notice has considered only an amount of Rs. 14,64,43,000/- towards sale deed, however, the actual amount received towards sale deed is Rs. 30,28,25,971/- for the period July 2017 to march 2019. Once the actual sale deed value is considered for the purpose of calculating the GST liability, the GST liability proposed by the impugned notice would get reduced.

(33) Noticee submits that as explained in the preceding paragraphs, the sale of land is not liable to GST as the same is covered under Entry 5 to Schedule -III of CGST Act, 2017. Therefore, the same need to be excluded while arriving the GST liability. Further, the deemed deduction of 1/3rd land value is not correct when the actual land value is available. Noticee submits that it is a settled law that the Government cannot re-write the terms of contract entered into between people. Reliance is placed on the Supreme Court judgement in the case of **Mangalore Ganesh Beedi Works Vs CIT [(2015) 378 ITR 640 (SC)]** wherein it was held that the Act does not clothe the taxing authorities with any power or jurisdiction to re-write the terms of the agreement arrived at between the parties with each other at arm's length and with no allegation of any collusion between them.

(34) Therefore, Noticee submits that a view is possible that deeming 1/3rd of contract value as land value for the purpose of taxation could amount to re-writing of the agreement which is not consistent with the facts involved and what the commercials agreed between the parties.

(35) Noticee submits that the valuation adopted by the department as per the Notification No. 11/2017- Central Tax (Rate) dated 28.06.2017 is not sustainable in law when the Noticee is not the owner of the land. As stated in the previous paragraphs, SVRC is the owner of the land and transferring the land directly to the customers, Therefore, SI No 2 of Notification No. 11/2017- Central Tax (Rate) dated 28.06.2017 is not applicable in the instant case. Hence, the Noticee has paid GST at full rate on amounts received towards construction services.

(36) Without prejudice to above, Noticee submits that under GST, the valuation mechanism has been prescribed in Section 15 of CGST Act, 2017. Section 15(1) states that the **value of supply of goods or services** or both shall be the **transaction value** which is the price actually paid or payable for the said supply of goods or services subject to the following conditions:

- that the supplier and recipient are not related and
- the price is the sole consideration

This sub-section is applicable only in the following three scenarios:

- Supply of Goods or
- Supply of Services or
- Both i.e., the composite supply of goods and services

The sub-section would not be applicable in case of a transaction involving the composite supply of goods, services **and immovable property**.

(37) Sub-section (4) states that where the value of supply cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed i.e., the valuation mechanism as prescribed (in the Rules). On perusal of rules 27 to 35 of CGST Rules 2017, it is quite clear that none of the prescribe rules provides for valuation mechanism for transactions involving the supply of goods, service and immovable property. Therefore, even the valuation rules are not applicable in the instant case.

(38) Further, sub-section (5) of Section 15 is the only sub-section that is left unexamined. This sub-section starts with a non-obstante clause and states '*Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government shall be determined in such manner as may be prescribed*'. From this subsection it states that the Central Government would be notifying certain services and the value of such notified supplies shall be determined in the manner as may be prescribed. The word 'prescribed' has been defined under Section 2(87) which means prescribed by rules made under this act on the recommendations of the council.

(39) On a strict interpretation of Section 15(5) read with Section 2(87), it is evident that the Central Government can notify the supplies by way of a notification, but the value of such supplies shall be determined as prescribed in rules. Thus, it means the valuation mechanism cannot be notified in a notification itself. Unless the valuation mechanism is prescribed in rules, the same is not valid and the valuation mechanism prescribed by way of Notification is not valid.

(40) To support the argument that the word 'prescribe' should be given limited meaning, reliance is placed on the Andhra Pradesh High Court decision in case of **GMR Aerospace Engineering [2019 (31) G.S.T.L. 596 - A.P.]** held that "*The word "prescribe" is verb. Generally, no enactment defines the word "prescribe". But the SEZ Act 2005 defines the word "prescribe" under Section 2(w) to mean the rules framed by the Central Government under the SEZ Act, 2005. The space is also not left unoccupied, as the Central Government has issued a set of Rules known as "the Special Economic Zones Rules, 2006", wherein the Central Government has prescribed the terms and*

conditions for grant of exemptions under Rule 22. Therefore, there is no question of comparing the terms and conditions prescribed in Rule 22 with the terms and conditions prescribed in the notifications issued under any one of five enactments listed in Section 26(1) to find out whether there was any inconsistency.”

(41) Reliance is also be placed on Patna High Court decision in case of Larsen & Toubro Ltd. Vs State of Bihar reported in [(2004) 134 STC 354] wherein it was observed as follows:

*“21. The word "prescribed" according to the Clause (r) of Section 2 of the Act means prescribed by Rules made under the Act. When the State Legislature says that something is to be done in accordance with law then that is to be done in that manner and as prescribed and not otherwise. **When the State Legislature says that the word "prescribed" means prescribed by the Rules then whatever is to be prescribed for making each and every section or any section of the Act workable must be prescribed under the Rules...***

*26. There is submission of the respondents that the benefit can be given to the petitioners even if there is no rule to prescribe the manner and the extent relating to the deductions in relation to the other charges. We are of the view that this argument should not detain us unnecessarily because **if the law requires a thing to be done then the State cannot say that that it stands above law** and would not provide/prescribe a particular thing in the Rules and would simply observe the directions issued by the Supreme Court.*

(42) Even assuming that Government has notified the supply of services involving transfer of land or undivided share of land under Section 15(5) in the above-referred notification, the prescription of 1/3rd of the total amount charged as deemed land value will not hold good as the Government does not have the power to prescribe valuation mechanism in a notification under such sub-section and is only having power to notify “supplies”. Hence, the same would not hold good.

(43) Further, deemed deduction prescribed under Notification No.11/2017-CT(R) is conditional i.e., it would be applicable only when the transaction involves the transfer of land. Once the transaction does not involve any land then there is no question of 1/3rd deduction. It is pertinent to note that in case of conditional exemption, the claimant has the option to opt for the exemption or not opt for the same. Inference can be drawn from **Save Industry Vs CCE 2016 (45) STR 551 (Tri-Chennai)** in this regard. If it is

made mandatory without giving any option to the assessee, then it would be open to challenge in a case where the actual land value is more.

(44) The valuation mechanism provided in the Act and Rules do not contemplate the valuation of supply involving goods, services and land, therefore the measure of levy fails. However, the valuation mechanism is provided in SI. No. 02 to Notification No. 11/2017-CT(R) and the contemplation of deduction through a notification cannot substitute the statutory machinery. Thereby, the valuation fails and once the valuation fails, the levy fails. The Hon'ble Supreme Court and various High Courts in a catena of judgments have held that notifying the valuation mechanism through a notification is not valid and have struck down such notifications wherein the valuation mechanism is prescribed. Few of the noted judgments in this regard are as follows:

- a) **CIT Vs B.C. Srinivasa Shetty 1981 (2) SCC 460 – SC:** The Supreme Court examined the levy of capital gains tax on sale of goodwill and had noted that the machinery provisions did not provide for calculation of capital gains, which is the measure of tax for imposition of tax on gains from sale of capital assets where the cost of acquisition was not ascertainable. The Court held that the charging sections and the computation provisions together constitute an integrated code and the transaction to which the computation provisions cannot be applied must be regarded as never intended to be subjected to charge of tax.
- b) **The Supreme Court in case of Govind Saran Ganga Saran v. CST, AIR 1985 SC [2002-TIOL-589-SC-CT]** held that "6. *The components which enter into the concept of a tax are well known. The first is the character of the imposition known by its nature which prescribes the taxable event attracting the levy, the second is a clear indication of the person on whom the levy is imposed and who is obliged to pay the tax, the third is the rate at which the tax is imposed, and the fourth is the measure or value to which the rate will be applied for computing the tax liability. If those components are not clearly and definitely ascertainable, it is difficult to say that the levy exists in point of law. Any uncertainty or vagueness in the legislative scheme defining any of those components of the levy will be fatal to its validity.*" (In the instant case of 1/3rd land deduction, there is a vagueness in the measure on which the GST is applicable as the Notification has not given the option to taxpayers to claim the actual land value as deduction).

- c) **Suresh Kumar Bansal Vs UOI – 2016 (43) S.T.R – Del HC** wherein the Hon'ble Delhi High Court in Para 53 held that *"As noticed earlier, in the present case, neither the Act nor the Rules framed therein provide for a machinery provision for excluding all components other than service components for ascertaining the measure of service tax. The abatement to the extent of 75% by a notification or a circular cannot substitute the lack of statutory machinery provisions to ascertain the value of services involved in a composite contract"*.
- d) **Federation of Hotels & Restaurants Association of India 2016 (44) STR 3 (Del)** wherein it was held that *"74. The exemption from service tax on the provision of accommodation for a room having a declared tariff of less than Rs. 1,000 per day or equivalent is by Notification No. 12/2012, dated 17th March 2012. This is not provided in the Act or the Rules. In Commissioner of Central Excise and Customs, Kerala v. Larsen and Toubro Ltd. - (2016) 1 SCC 170, the Supreme Court affirmed the decision of the Orissa High Court in Larsen and Toubro Ltd. v. State of Orissa - (2008) 12 VST 31, to the effect that the machinery provisions for levy of the tax could not be provided by instructions and circulars. It was held by the Orissa High Court that "It is a well-settled principle that in matters of taxation either the statute or the Rules framed under the statute must cover the entire field. Taxation by way of administrative instructions which are not backed by any authority of law is unreasonable and is contrary to Article 265 of the Constitution of India."*

(45) From the above-referred decisions, it is clear that the valuation mechanism shall be prescribed in the Act or Rules and cannot be prescribed by way of a notification. Further, it is important to note that Section 15 of CGST Act prescribes the valuation mechanism only for supply of goods or services or both and does not prescribe valuation mechanism for transactions involving immovable property.

(46) When the law provides specific powers to prescribe certain things by issue of notifications, the same would be valid, few of such examples may be notification of rate of tax under section 9 and exemptions under section 11. Further, section 15(5) does not authorize the Government to prescribe the valuation mechanism in Notification. Even section 164 of CGST Act, 2017 states that the Government may on the recommendations of the council, by notification, make rules for carrying out the provisions of this act'.

Therefore, the Notifications cannot go beyond the act to prescribe a deemed valuation which is not prescribed in the Act itself.

(47) Further, even assuming the deemed valuation adopted by the department as per Notification No. 11/2017-CT(Rate) is correct, the Noticee submits that the same is not justified and is unsustainable in law. It is a known fact that the land value may not be the same across the country as the same depends on the location of the land. In metros, the cost of land would be high and in towns and rural areas, it would be low. The cost of construction may not vary much when compared to the land value, whether in metros or in rural areas. Deeming 1/3rd of the total amount charged as land value would lead to levy of GST on the land value in metros, whereas in the non-metros the construction service would not get completely taxed. Thus, levy of GST on land value, indirectly not allowed under Article 246A of the Constitution of India is being levied due to the deeming fiction. We should also understand there would be cases where the land value is less than 1/3rd value and in such cases the Government is collecting less taxes.

(48) During the 15th GST Council meeting, where GST rates on several goods and services were discussed, the Maharashtra and Gujarat State Finance Ministers opposed the 1/3rd land deduction proposed by the Fitment Committee. Maharashtra State Finance Minister was of the view that the flat cost consists of at least 50% of land cost in Maharashtra. Giving 30% land deduction will lead to litigation and Courts may give adverse judgments on this. He suggested giving the land value according to the ready reckoner or stamp duty value. The discussion in this meeting and consequently issue of notification No.11/2017-CT(R) dated 28.06.2017 deeming the value of land as 1/3rd of the total amount charged itself shows that the Government has acted arbitrarily and without any scientific reason to arrive at the basis of 1/3rd.

(49) The Supreme Court in a catena of decisions held that any action undertaken by the Central Government or State Government arbitrarily would amount to a violation of Article 14 of the Constitution of India and becomes invalid. Further, it was also held that when the actual value is available the statutes or rules cannot prescribe a deemed value ignoring the actual value. Few of the decisions which had discussed this issue are as follows:

- a. **Supreme Court in case of Wipro Limited Vs UOI 2015 (319) ELT 177 (SC)** while examining the validity of deemed value of loading and unloading as 1% of the FOB value for the purpose of determining the

assessable value for calculating the customs duty it was held that “31. In contrast, however, the impugned amendment dated 5-7-1990 has changed the entire basis of inclusion of loading, unloading and handling charges associated with the delivery of the imported goods at the place of importation. Whereas fundamental principle or basis remains unaltered insofar as other two costs, viz., the cost of transportation and the cost of insurance stipulated in clauses (a) and (c) of sub-rule (2) are concerned. In respect of these two costs, provision is retained by specifying that they would be applicable only if the actual cost is not ascertainable. In contrast, there is a complete deviation and departure insofar as loading, unloading and handling charges are concerned. **The proviso now stipulates 1% of the free on-board value of the goods irrespective of the fact whether actual cost is ascertainable or not. Having referred to the scheme of Section 14 of the Rules in detail above, this cannot be countenanced. This proviso, introduces fiction as far as addition of cost of loading, unloading and handling charges is concerned even in those cases where actual cost paid on such an account is available and ascertainable. Obviously, it is contrary to the provisions of Section 14 and would clearly be ultra vires this provision. We are also of the opinion that when the actual charges paid are available and ascertainable, introducing a fiction for arriving at the purported cost of loading, unloading and handling charges is clearly arbitrary with no nexus with the objectives sought to be achieved. On the contrary, it goes against the objective behind Section 14 namely to accept the actual cost paid or payable and even in the absence thereof to arrive at the cost which is most proximate to the actual cost. Addition of 1% of free on-board value is thus, in the circumstance, clearly arbitrary and irrational and would be violative of Article 14 of the Constitution.**

This decision clearly states that when the actual value is available, the prescription of deemed value is not valid as the same is arbitrary and irrational. Since the background of the present issue and the issue involved in these decisions are one and the same, it can be concluded that the taxpayer can claim the actual value of land as deduction wherever available and the deeming of 1/3rd value as land value is arbitrary and irrational and will not hold good.

- b. The Supreme Court in case of Indian Acrylics Vs UOI 1999 (113) ELT 373 (SC) it was held that** “7. The exchange rate fixed by the Reserve Bank of India is the accepted and determinative rate of exchange for foreign exchange transactions. **If it is to be deviated from to the extent that the notification dated 27th March 1992 does, it must be shown that the Central Government had good reasons for doing so.** The Reserve Bank of India’s rate, as we have pointed out, was Rs. 25.95, the rate fixed by the notification dated 27th March 1992 was Rs. 31.44, so that there was difference of as much as Rs. 5.51. **In the absence of any material placed on record by the respondents and in the absence of so much as a reason stated on affidavit in this behalf, the rate fixed by the notification dated 27th March, 1992 must be held to be arbitrary.**

This decision states the when the government is prescribing a deemed value deviating from the actual value available, then it must have a good reason for doing so. If there is no reason, the deemed value shall become invalid. On-going through the GST Council Meeting Minutes, it is quite evident that no reason has been recorded while deeming the value of land as 1/3rd of total amount.

- c. The Supreme Court in case of Hindustan Polymers case Vs Collector of CE 1989 (43) ELT 165 (SC) held that the Excise Duty cannot be levied on notional values. The Supreme Court has made the following observations** “The scheme of the old Section 4 is indisputedly to determine the assessable value of the goods on the basis of the price charged by the assessee, less certain abatements. There was no question of making any additions to the price charged by the assessee. The essential basis of the “assessable value” of old Section 4 was the wholesale cash price charged by the assessee. To construe new Section 4 as now suggested would amount to departing from this concept and replacing it with the concept of a notional value comprising of the wholesale cash price plus certain notional charges. This would be a radical departure from old Section 4 and cannot be said to be on the same basis. It has to be borne in mind that the measure of excise duty is price and not value.”.

From this decision, it can be understood that the valuation cannot be extended beyond levy and in the instant case, the levy is on supply of goods and service wherein section 15 prescribes valuation mechanism for supply of goods and services. However, the notification

No.11/2017-CT(R) dated 28.06.2017 prescribes the valuation mechanism for the transactions involving land, wherein it proposed to tax the notional value of 2/3rd of the value of the consideration received from their customers.

(50) The valuation adopted by the Noticee is also supported by the Gujarat High Court decision in case of Munjaal Manishbhai Bhatt Vs UOI 2022-TIOL-663-HC-AHM-GST wherein the High Court has held that deeming fiction of 1/3rd land deduction is ultra-vires the statutory provisions wherever the actual land value is available. The relevant extract is as follows

“Thus, mandatory application of deeming fiction of 1/3 of total agreement value towards land even though the actual value of land is ascertainable is clearly contrary to the provisions and scheme of the CGST Act and therefore ultra-vires the statutory provisions.”

(51) Noticee would like to submit that from the above referred decision, it is clear that wherever the actual land value is available, the same can be taken as deduction for the purpose of payment of GST and the deeming fiction of 1/3rd land value as deduction is ultra-vires the statutory provisions. Hence, Noticee would like to submit that the compliance made by the Noticee is in accordance with the law and there is no short payment of GST, therefore, the demand proposed by the impugned notice needs to be dropped.

In Re: No irregular availment of ITC:

(52) Noticee submits that the impugned notice has alleged that the Noticee has excess claimed ITC of Rs. 44,51,756/- (CGST Rs. 22,25,878/- SGST Rs. 22,25,878/-) in GSTR-3B as compared to the tax declared by the suppliers of Noticee in GSTR-01.

(53) Without prejudice to the above, Noticee submits that ITC cannot be denied merely due to non-reflection of invoices in GSTR-2A as all the conditions specified under Section 16 of CGST Act, 2017 has been satisfied. Further, Noticee submits that GSTR-2A cannot be taken as a basis to deny the ITC in accordance with Section 41, Section 42, Rule 69 of CGST Rules, 2017.

(54) Noticee submits that the condition for availment of credit is provided under section 16(2) of the Central Goods and Service Tax Act, 2017 which do not state that credit availed by the recipient needs to be reflected in GSTR-2A, further notice has also not been bought out as to which provision under the Central Goods and Service Tax, 2017 or rules made thereunder

requires that credit can be availed only if the same is reflected in GSTR- 2A. Hence, issuance of the notice on such allegation, which is not envisaged under the provisions of the CGST/SGST Act,. Extract of section 16(2)(c) is given below:

“Section 16(2)(c) subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilization of input tax credit admissible in respect of the said supply;”

(55) As seen from Section 16(2)(c), ITC can be availed subject to Section 41 of the GST Act which deals with the claim of ITC and the provisional acceptance thereof.

“Section 41. Claim of input tax credit and provisional acceptance thereof

*(1) Every registered person shall, **subject to such conditions and restrictions as may be prescribed, be entitled to take the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited on a provisional basis** to his electronic credit ledger.*

(2) The credit referred to in sub-section (1) shall be utilized only for payment of self-assessed output tax as per the return referred to in the said sub-section”

From the above-referred section, it is clear that every registered person is entitled to take credit of eligible ITC as self-assessed in his return and the same will be credited to the electronic credit ledger on a provisional basis.

(56) In this regard, it is submitted that Section 42, *ibid* specifies the mechanism for matching, reversal, and reclaim of ITC wherein it was clearly stated the details of every inward supply furnished by a registered person shall be matched with the corresponding details of outward supply furnished by the supplier in such manner and within such time as may be prescribed.

(57) Further, Rule 69 of CGST Rules, 2017 specifies that the claim of ITC on inward supplies provisionally allowed under Section 41 shall be matched under Section 42 after the due date for furnishing the return in GSTR-03. Further, the first proviso to Rule 69 also states that if the time limit for furnishing Form GSTR-01 specified under Section 37 and Form GSTR-2 specified under Section 38 has been extended then the date of matching relating to the claim of the input tax credit shall also be extended accordingly.

(58) The Central Government vide Notification No.19/2017-CT dated 08.08.2017, 20/2017-CT dated 08.08.2017, 29/2017-CT dated 05.09.2017, 58/2017- has extended the time limit for filing GSTR-2 and GSTR-3. Further, vide Notification No.11/2019-CT dated 07.03.2019 stated that the time limit for furnishing the details or returns under Section 38(2) (GSTR-2) and Section 39(1) GSTR 3 for the months of July 2017 to June 2019 shall be notified subsequently.

(59) From the above-referred Notifications, it is very clear that the requirement to file GSTR 2 and GSTR 3 has differed for the period July 2017 to June 2019. In absence of a requirement to file GSTR-2 and GSTR-3, the matching mechanism prescribed under Section 42 read with Rule 69 will also get differed and become inoperative.

(60) Once the mechanism prescribed under Section 42 to match the provisionally allowed ITC under Section 41 is not in operation, the final acceptance of ITC under Rule 70 is not possible thereby the assessee can use the provisionally allowed ITC until the due date for filing GSTR 2 and GSTR 3 is notified. Hence, there is no requirement to reverse the provisional ITC availed even though the supplier has not filed their monthly GSTR-3B returns till the mechanism to file GSTR 2 and GSTR 3 or any other new mechanism is made available.

(61) As Section 41 allows the provisional availment and utilization of ITC, there is no violation of section 16(2)(c) of GST Act 2017, therefore, the ITC availed by Noticee is rightly eligible. Hence, request you to drop the proceedings initiated.

(62) The above view is also fortified from the press release dated 18.10.2018 wherein it was stated that *"It is clarified that the furnishing of outward details in FORM GSTR-1 by the corresponding supplier(s) and the facility to view the same in FORM GSTR-2A by the recipient is in the nature of taxpayer facilitation and does not impact the ability of the taxpayer to avail ITC on self-assessment basis in consonance with the provisions of section 16 of the Act. The apprehension that ITC can be availed only on the basis of reconciliation between FORM GSTR-2A and FORM GSTR-3B conducted before the due date for filing of return in FORM GSTR-3B for the month of September, 2018 is unfounded as the same exercise can be done thereafter also. From this, it is clear that input tax credit can be availed even if the same is not indicated in Form GSTR 2A and hence the notice issued is contrary to the same.*

(63) Without prejudice to the above, Noticee submits that even if the matching mechanism is in place, the unmatched ITC amount will get directly added to the electronic liability ledger of the assessee under sub-section (5) of Section 42 and there is no requirement to reverse the ITC availed.

(64) Noticee submits that only in exceptional cases like missing dealer etc. the recipient has to be called for to pay the amount which is coming out from Para 18.3 of the minutes of 28th GST Council meeting held on 21.07.2018 in New Delhi which is as under:

*“18.3---- He highlighted that a major change proposed was that no input tax credit can be availed by the recipient where goods or services have not been received before filing of a return by the supplier. This would reduce the number of pending invoices for which input tax credit is to be taken. There **would be no automatic reversal of input tax credit** at the recipient's end where tax had not been paid by the supplier. **Revenue administration shall first try to recover the tax from the seller and only in some exceptional circumstances like missing dealer, shell companies, closure of business by the supplier, input tax credit shall be recovered from the recipient by following the due process of serving of notice and personal hearing.** He stated that though this would be part of IT architecture, in the law there would continue to be a provision making the seller and the buyer jointly and severally responsible for recovery of tax, which was not paid by the supplier but credit of which had been taken by the recipient. This would ensure that the security of credit was not diluted completely.”*

Thereby, issuing the notice without checking with our vendors the reason for non-filing of the returns etc. runs against the recommendations of the GST council.

(65) Without prejudice to above, Noticee submits that even if there is differential ITC availed by the Noticee, the same is accompanied by a valid tax invoice containing all the particulars specified in Rule 36 of CGST Rules based on which Noticee has availed ITC. Further, Noticee submits that the value of such supplies including taxes has been paid to such vendors thereby satisfying all the other conditions specified in Section 16(2) of the CGST Act, 2017. As all the conditions of Section 16(2) are satisfied, the ITC on the same is eligible to the Noticee hence the impugned notice needs to be dropped.

(66) Noticee submits that the fact of payment or otherwise of the tax by the supplier is neither known to us nor is verifiable by us. Thereby it can be said that such condition is impossible to perform and it is a known principle that the law does not compel a person to do something which he cannot possibly perform as the legal maxim goes: ***lex non-cogit ad impossibilia***, **as was held in the case of:**

- *Indian Seamless Steel & Alloys Ltd Vs UOI, 2003 (156) ELT 945 (Bom.)*
- *Hico Enterprises Vs CC, 2005 (189) ELT 135 (T-LB). Affirmed by SC in 2008 (228) ELT 161 (SC)*

Thereby it can be said that the condition which is not possible to satisfy, need not be satisfied and shall be considered as deemed satisfied.

(67) Noticee further submits that for the default of the supplier, the recipient shall not be penalized therefore the impugned notice shall be dropped. In this regard, reliance is placed on **On Quest Merchandising India Pvt Ltd Vs Government of NCT of Delhi and others 2017-TIOL-2251-HC-DEL-VAT** wherein it was held that

*“54. The result of such reading down would be that the Department is precluded from invoking Section 9 (2) (g) of the DVAT to deny ITC to a purchasing dealer who has bona fide entered into a purchase transaction with a registered selling dealer who has issued a tax invoice reflecting the TIN number. **In the event that the selling dealer has failed to deposit the tax collected by him from the purchasing dealer, the remedy for the Department would be to proceed against the defaulting selling dealer to recover such tax and not deny the purchasing dealer the ITC.**”*

(68) Noticee further submits that in case of Hon'ble Karnataka High Court in a writ petition filed by **M/s ONXY Designs Versus The Assistant Commissioner of Commercial Tax Bangalore 2019(6) TMI 941** relating to Karnataka VAT has held that *“It is clear that the benefit of input tax cannot be deprived to the purchaser dealer if the purchaser dealer satisfactorily demonstrates that while purchasing goods, he has paid the amount of tax to the selling dealer. If the selling dealer has not deposited the amount in full or a part thereof, it would be for the revenue to proceed against the selling dealer”*

(69) Noticee submits that under the earlier VAT laws there were provisions similar to Section 16(2) *ibid* which have been held by the Courts as unconstitutional. Some of them are as follows

- a. **Arise India Limited vs. Commissioner of Trade and Taxes, Delhi - 2018-TIOL-11-SC-VAT** was rendered favorable to the assessee. This decision was rendered in the context of section 9(2) (g) of the Delhi Value Added Tax Act, 2004 which is a similar provision wherein the credit availment of the recipient is dependent on the action taken by the supplier.
- b. **M/s Tarapore and Company Jamshedpur v. the State of Jharkhand - 2020-TIOL-93-HC-JHARKHAND-VAT** This decision was rendered in the context of section 18 (8)(xvii) of Jharkhand Value Added Tax Act, 2005 similar to the above provision.

The decisions in the above cases would be equally applicable to the present context of Section 16(2) *ibid*

(70) Noticee further submits that the fact that there is no requirement to reconcile the invoices reflected in GSTR-2A vs GSTR-3B is also evident from the proposed amendment in Section 16 of GST Act, 2017 in Finance bill, 2021 as introduced in Parliament. Hence, there is no requirement to reverse any credit in absence of the legal requirement during the subject period.

(71) Similarly, it is only Rule 36(4) of CGST Rules, 2017 as inserted w.e.f. 09.10.2019 has mandated the condition of reflection of vendor invoices in GSTR-2A with Adhoc addition of the 20% (which was later changed to 10% & further to 5%). At that time, the CBIC vide Circular 123/42/2019 dated 11.11.2019 categorically clarified that the matching u/r. 36(4) is required only for the ITC availed after 09.10.2019 and not prior to that. Hence, the denial of the ITC for non-reflection in GSTR-2A is incorrect during the subject period.

(72) Noticee submits that Rule 36(4), *ibid* restricts the ITC on the invoices not uploaded by the suppliers. However, such restrictions were beyond the provisions of CGST Act, 2017 as amended more so when Section 42 & 43 of CGST Act, 2017 which requires the invoice matching is kept in abeyance and filing of Form GSTR-2 & Form GSTR-3 which implements the invoice matching in order to claim ITC was also deferred. Thus, the restriction under Rule 36(4), *ibid* is beyond the parent statute (CGST Act, 2017) and it is ultra vires. In this regard, reliance is placed on the Apex Court decision in the case of Union of India Vs S. Srinivasan 2012 (281) ELT 3 (SC) wherein it was held that *"If a rule goes beyond the rule making power conferred by the statute, the same has to be declared ultra vires. If a rule supplants any provision for which power has not been conferred, it becomes ultra vires. The*

basic test is to determine and consider the source of power which is relatable to the rule. Similarly, a rule must be in accord with the parent statute as it cannot travel beyond it.” (Para 16)

Once any rule is ultra vires, the same need not be followed. Hence, the proposition to deny the ITC stating that invoices not reflected in GSTR-2A require to be dropped.

(73) Noticee wishes to rely on recent decisions in case of:

- a. **M/s. D.Y. Beathel Enterprises Vs State Tax officer (Data Cell), (Investigation Wing), Tirunelveli 2021(3) TMI 1020-Madras High Court** wherein it was held as under: “12. Therefore, if the tax had not reached the kitty of the Government, then the liability may have to be eventually borne by one party, either the seller or the buyer. In the case on hand, the respondent does not appear to have taken any recovery action against the seller / Charles and his wife Shanthi, on the present transactions. 13.The learned counsel for the petitioners draws my attention to the SCN, dated 27.10.2020, finalising the assessment of the seller by excluding the subject transactions alone. I am unable to appreciate the approach of the authorities. When it has come out that the seller has collected tax from the purchasing dealers, the omission on the part of the seller to remit the tax in question must have been viewed very seriously and strict action ought to have been initiated against him. 14. That apart in the enquiry in question, the Charles and his Wife ought to have been examined. They should have been confronted.”
- b. **Jurisdictional High Court decision in case of Bhagyanagar Copper Pvt Ltd Vs CBIC and Others 2021-TIOL-2143-HC-Telangana-GST**
- c. **M/s. LGW Industries limited Vs UOI 2021 (12) TMI 834-Calcutta High Court**
- d. **M/s. Bharat Aluminium Company Limited Vs UOI & Others 2021 (6) TMI**
- e. **M/s.Sanchita Kundu & Anr. Vs Assistant Commissioner of State Tax 2022 (5) TMI 786 - Calcutta High Court**

(74) Noticee submits that in the case of **Global Ltd. v. UOI - 2014 (310) E.L.T. 833 (Guj.)** it was held that denial of ITC to the buyer of goods or services for default of the supplier of goods or services, will severely impact working capital and therefore substantially diminishes ability to continue

business. Therefore, it is a serious affront to his right to carry on his trade or business guaranteed under Article 19(1)(g) of the Constitution.

(75) Noticee submits that the denial of ITC to the buyer of goods or services for default of the supplier of goods or services, is wholly unjustified and this causes the deprivation of the enjoyment of the property. Therefore, this is positively violative of the provision of Article 300A of the Constitution of India - **Central Excise, Pune v. Dai Ichi Karkaria Ltd., SC on 11 August, 1999 [1999 (112) E.L.T. 353 (S.C.)]**

(76) Noticee submits that the denial of ITC to the buyer of goods or services for default of the supplier of goods or services, clearly frustrates the underlying objective of removal of cascading effect of tax as stated in the Statement of object and reasons of the Constitution (One Hundred And Twenty-Second Amendment) Bill, 2014. it is an established principle of law that it is necessary to look into the mischief against which the statute is directed, other statutes in pari materia and the state of the law at the time.

(77) Noticee submits that one also needs to consider that Article 265 of the Constitution which provides that no tax shall be levied or collected except by authority of law. Hence not only the levy but even the collection of the tax shall be only by authority of law.

In Re: Interest under Section 50 is not applicable

(78) Noticee submits that when the principal amount is not payable there is no question of payment of interest. In this regard, reliance is placed on the Judgment of Hon'ble Supreme Court in the case of Pratibha Processors Pvt. Ltd Vs UOI 1996 (88) E.L.T. 12 (S.C.).

In Re: Demand under Section 74 is not applicable:

(79) Without prejudice to the above, Noticee submits that when the time limit for issuance of notice under Section 73 is not expired, the invocation of Section 74 is not warranted. In this regard, reliance is placed on Godavari Khore Cane Transport Company Pvt. Ltd. v. Commissioner 2012 (26) S.T.R. 310 (Tribunal) wherein it was held that *"It thus appears, the allegation of suppression of facts was raised in the show-cause notice for the sole purpose of invoking the proviso to Section 73(1) of the Finance Act, 1994 and not for any other purpose. As a matter of fact, it was not necessary for the department to invoke the proviso to Section 73(1) ibid for demanding service tax from the assessee for the aforesaid period, which is within the normal*

period of limitation prescribed under Section 73(1). In this scenario, the penalty imposed by the Commissioner under Section 78 of the Finance Act, 1994 on the assessee on the ground of suppression of taxable value of the service cannot be sustained. We, therefore, set aside the penalty imposed under Section 78 of the Finance Act, 1994 on the Noticee in Appeal No. ST/68/2009.”

(80) With respect to non-payment of GST under reverse charge mechanism on unregistered procurements, Noticee would like to submit that there exists a confusion relating to payment of GST on unregistered procurements and the industry has not paid GST on the same as the same is very complex. Understanding the difficulties involved in implementation of RCM on unregistered procurements, the government has removed the same from reverse charge mechanism. This shows that there was a genuine difficulty faced by the trade which was also understood by the Government and removed the same. In these circumstances, it cannot be said that there is a suppression and intention to evade payment of tax. Hence, the question of invocation of Section 74 does not arise.

(81) With *respect* to difference between ITC availed in GSTR-3B and GSTR-2A, Noticee would like to submit that during the period 2017-18 and 2018-19, there is no condition of reflection of invoices in GSTR-2A for availing the ITC and it is only Rule 36(4) of CGST Rules, 2017 as inserted w.e.f. 09.10.2019 has mandated the condition of reflection of vendor invoices in GSTR-2A with adhoc addition of the 20% (which was later changed to 10% & further to 5%). At that time, the CBIC vide Circular 123/42/2019 dated 11.11.2019 categorically clarified that the matching u/r. 36(4) is required only for the ITC availed after 09.10.2019 and not prior to that. Hence, the denial of the ITC for non-reflection in GSTR-2A is incorrect during the subject period.

(82) Noticee would like to submit that the Noticee has availed the ITC based on the invoices received from our suppliers and the same were verified by the audit party. After verification, no objection was raised with respect to ITC availed except stating that the ITC was not reflected in GSTR-2A. The ITC availed was disclosed in GSTR-3B and the department is aware of the same, hence, there is no question of suppression of the same. Further, the non-reflection of ITC in GSTR-2A is not in our hands and the same is completely dependent on the filing status of our suppliers. Therefore, the same cannot be considered as suppression as defined in Explanation to Section 74 of CGST Act, 2017.

(83) The same view was taken by various High Courts under GST regime and stated that the ITC cannot be denied merely for non-reflection of invoices in GSTR-2A. In this regard, reliance is placed on

- M/s. D.Y. Beathel Enterprises Vs State Tax officer (Data Cell), (Investigation Wing), Tirunelveli 2021(3) TMI 1020-Madras High Court
- Jurisdictional High Court decision in case of Bhagyanagar Copper Pvt Ltd Vs CBIC and Others 2021-TIOL-2143-HC-Telangana-GST
- M/s. LGW Industries limited Vs UOI 2021 (12) TMI 834 -Calcutta High Court
- M/s. Bharat Aluminium Company Limited Vs UOI & Others 2021 (6) TMI 1052 – Chattishgarh High Court

Since the issue involves interpretation and exists confusion during the disputed period, the suppression of facts cannot be invoked.

(84) Noticee submits that the suppression of facts cannot be invoked for mere difference between the GSTR-2A and GSTR-3B. In this regard, reliance is placed on NKAS Services Pvt Ltd Vs State of Jharkhand, 2022 (58) G.S.T.L.257 (Jhar) the Hon'ble Jharkhand High Court held that wherein it was held that *"Court finds that upon perusal of GST DRC-01 issued to the petitioner, although it has been mentioned that there is mismatch between GSTR-3B and 2A, but that is not sufficient as the foundational allegation for issuance of notice under Section 74 is totally missing and the notice continues to be vague"*

(85) Noticee would like to submit that the impugned order has confirmed the penalty under Section 74 merely on the ground that the Noticee had paid certain taxes on pointing out by the audit officers. In this regard, Noticee submits that the lapse would not have come to light but for the investigation of the department, standing alone cannot be accepted as a ground for confirming suppression, misstatement or misdeclaration of facts. Any shortcomings noticed during the course of verification of records, itself cannot be reasoned that the deficiency was due to *mala fide* intention on the part of Noticee. In this regard relied, on LANDIS + GYR LTD Vs CCE 2013 (290) E.L.T. 447 (Tri. - Kolkata).

(86) Noticee wish to further rely on the Patna high Court decision in case of Shiv Kishore Constructions Pvt Ltd Vs UOI 2020 (10) TMI 45 – Patna High Court wherein it was held that mere difference between turnover in GSTR-

3B and as per TDS return GSTR-2A cannot be considered as suppression of facts.

(87) Noticee submits that Section 74 is applicable only when the non-payment or short payment is due to fraud or any willful misstatement or suppression of facts to evade tax.

“74. (1) Where it appears to the proper officer that any tax has not been paid or short paid or erroneously refunded or where input tax credit has been wrongly availed or utilized by reason of fraud, or any willful-misstatement or suppression of facts to evade tax, he shall serve notice on the person chargeable with tax which has not been so paid or which has been so short paid or to whom the refund has erroneously been made, or who has wrongly availed or utilized input tax credit, requiring him to show cause as to why he should not pay the amount specified in the notice along with interest payable thereon under section 50 and a penalty equivalent to the tax specified in the notice”

However, in the instant case, Noticee has not suppressed any details to the department. Therefore, the proposal of impugned notice to demand tax under Section 74 is not correct and the same needs to be dropped.

(88) Noticee further submits that during the course of audit Noticee has submitted all the relevant information asked for without any hesitation as and when required. Further, respecting the judicial proceedings Noticee has given a proper response against the summons issued by appearing before the department authorities. Noticee submits that no information is suppressed. The allegation of suppression of facts is not correct.

(89) Further, Noticee extracts the meaning of suppression explained in CGST Act, 2017

Explanation 2. —For the purposes of this Act, the expression “suppression” shall mean non-declaration of facts or information which a taxable person is required to declare in the return, statement, report, or any other document furnished under this Act, or the rules made thereunder, or failure to furnish any information on being asked for, in writing, by the proper officer.

(90) Noticee submits that from the above-referred Explanation-2 to Section 74 of CGST Act, 2017, the expression ‘suppression’ means not declaring the information required to be declared in the return or failure to furnish any information on being asked for, in writing by the proper officer. In the present case, Noticee has submitted the required information as and when

called for by the department authorities. Further, the audited financial statements were also submitted. Hence, the proposal of impugned notice to impose a penalty is not at all tenable.

(91) Noticee further submits that suppression means not providing information that the person is legally required to state but is intentionally or deliberately not stated. Whereas in the instant case full facts of present SCN were well disclosed before authorities as and when requested by way of clear & specific letters. Further, there is no willful misstatement by Noticee in view of the fact that what is believed to be correct as backed by legal provisions was put forth before the authorities.

(92) In this regard, the notice submits that suppression or concealing of information with an intent to evade the payment of tax is a requirement for imposing the penalty. It is a settled proposition of law that when the assessee acts with a Bonafede belief especially when there is doubt as to statute also the law being new and not yet understood by the common public, there cannot be an intention of evasion and penalty cannot be levied. In this regard, we wish to rely upon the following decisions of the Supreme Court.

- i. Commissioner of C.Ex., Aurangabad Vs. Pendhakar Constructions 2011(23) S.T.R. 75(Tri. -Mum)
- ii. Hindustan Steel Ltd. V. State of Orissa – 1978 (2) ELT (J159) (SC)
- iii. Akbar BadruddinJaiwani V. Collector – 1990 (47) ELT 161(SC)
- iv. Tamil Nadu Housing Board V Collector – 1990 (74) ELT 9 (SC)

(93) Noticee submits that mere non-payment/short payment of tax per se does not mean that Noticee has willfully contravened the provisions with the intent to evade payment of tax. In this regard, reliance is placed on Uniworth Textiles Ltd. v. Commissioner 2013 (288) E.L.T. 161 (S.C.).

(94) Noticee submits that no penalty should be imposed for technical or venial breach of legal provisions or where the breach flows from the bonafide belief that the offender is not liable to act in the manner prescribed by the statute. Relied on Hindustan Steel Ltd. v. State of Orissa —1978 (2) E.L.T. (J159) (S.C.).

(95) Noticee further submits that it was held in the case of Collector of Customs v. Unitech Exports Ltd. 1999 (108) E.L.T. 462 (Tribunal) that- *“It is settled position that penalty should not be imposed for the sake of levy. Penalty is not a source of Revenue. The penalty can be imposed depending upon the facts and circumstances of the case that there is a clear finding by the authorities below that this case does not warrant the imposition of*

penalty. The respondent's Counsel has also relied upon the decision of the Supreme Court in the case of M/s. Pratibha Processors v. Union of India reported in 1996 (88) E.L.T. 12 (S.C.) that penalty ordinarily levied for some contumacious conduct or for a deliberate violation of the provisions of the particular statute." Hence, a Penalty cannot be imposed in the absence of deliberate defiance of the law even if the statute provides for the penalty.

(96) Noticee submits that from the above-referred case laws, it is clear that Noticee has not willfully misstated any facts, therefore, the imposition of penalties is not warranted.

(97) Noticee submits that Penalty, as the word suggests, is punishment for an act of deliberate deception by the assessee with the intent to evade duty by adopting any of the means mentioned in the section. In this regard wishes to place reliance on Rajasthan Spinning & Weaving Mills [2009 (238) E.L.T. 3 (S.C.) & Commissioner of Central Excise, Vapi Vs Kisan Mouldings Ltd 2010 (260) E.L.T 167 (S.C)

(98) Noticee submits that all the entries are recorded in books of accounts and financial statements nothing is suppressed hence the issuance of Notice under Section 74 is not valid. Wishes to place reliance on LEDER FX Vs DCTO 2015-TIOL-2727-HC-MAD-CT; Jindal Vijayanagar Steel Ltd. v. Commissioner — 2005 (192) E.L.T. 415 (Tri-bang).

(99) Noticee submits that GST being a new law, the imposition of heavy penalties during the initial years of implementation is not warranted. Further, the government has been extending the due dates & waiving the late fees for delayed filing etc., to encourage compliance.

(100) Noticee submits that GST being a new law and trade is not much conversant with the procedures, the imposition of hefty penalty for mere delay in filing of returns will adversely impact the trade. Further, these hefty penalties may lead to the closure of business of the Noticee hence the same shall be avoided.

(101) Noticee submits that the GST is still under trial-and-error phase and the assesseees are facing genuine difficulties and the same was also held by various courts by deciding in favour of the assessee. Therefore, the imposition of the penalty during the initial trial and error phase is not warranted and this is a valid reason for setting aside the penalties. In this regard, reliance is placed on

- a. **Bhargava Motors Vs UOI 2019 (26) GSTL 164 (Del)** wherein it was held that "The GST system is still in a 'trial and error phase' as far as its implementation is concerned. Ever since the date the GSTN

became operational, this Court has been approached by dealers facing genuine difficulties in filing returns, claiming input tax credit through the GST portal. The Court's attention has been drawn to a decision of the Madurai Bench of the Madras High Court dated 10th September, 2018 in W.P. (MD) No. 18532/2018 (Tara Exports v. Union of India) [2019 (20) G.S.T.L. 321 (Mad.)] where after acknowledging the procedural difficulties in claiming input tax credit in the TRAN-1 form that Court directed the respondents "either to open the portal, so as to enable the petitioner to file the TRAN-1 electronically for claiming the transitional credit or accept the manually filed TRAN-1" and to allow the input credit claimed "after processing the same, if it is otherwise eligible in law

b. The Tyre Plaza Vs UOI 2019 (30) GSTL 22 (Del)

c. Kusum Enterprises Pvt Ltd Vs UOI 2019-TIOL-1509-HC-Del-GST

(102) Noticee craves leave to alter, add to and/or amend the above reply.

(103) Noticee would also like to be heard in personal, before any Notice being passed in this regard.

7. Personal Hearing: In this case, personal hearing opportunities were provided on 14.10.2022 and 14.08.2023. Shri Lakshman Kumar, Managing Partner, HNA & Co LLP, authorised representative of M/s Villa Orchids LLP had attended the personal hearing on 14.08.2023 and promised to submit additional submission by/before 22.08.2023, but not yet submitted.

DISCUSSION AND FINDINGS:

8. I have carefully gone through the show cause notice issued to the taxpayer vide C. No. V/01/GST/18/2020-GR.-12/CIR-1 on 05.01.2022, reply to the notice submitted by the taxpayer vide letter dated 04.08.2023, documents submitted by the taxpayer, oral submission made by the taxpayer during personal hearing and information/data available on records. I would like to examine the case para wise as mentioned in the notice.

9. Non payment of GST under RCM on Brokerage/Commission paid to unregistered persons (Rs.3060):

9.1. It has alleged in the notice that the taxpayer had not discharged tax of Rs.3090/- on payment made to un-registered persons under RCM for the

period 01.07.2017 to 12.10.2017 as per Notification No.8/2017-Central Tax (Rate), dated 28.06.2017. The taxpayer vide his reply to the notice submitted that he has paid the tax amount vide DRC-03, ARN No. AD361222007137K dated 19.12.2022.

9.2. From the above said DRC-03 and submission made by the taxpayer, it is noticed that the taxpayer has paid tax liability of Rs.3090/- through the said DRC-03 by debiting Electronic Cash Ledger, whereas he has not paid applicable interest and penalty. Hence, I hold that the taxpayer is liable to pay the tax as proposed in the notice along with interest under Section 50 of the CGST Act, 2017 and penalty under Section 74(1) of the CGST Act, 2017. Further, I also hold that the tax of Rs.3090/- paid by the taxpayer is liable for appropriation against the tax demand.

10. Interest for delayed filing of GSTR-3B Return for the months July, 2017, August, 2017 and October, 2017:

10.1. In the notice, it has been mentioned that the taxpayer is liable to pay interest amount of Rs.827/- for delay filing of GSTR-3B returns for the months July, 2017, August, 2017 and October, 2017. The taxpayer vide reply to the notice submitted that he has paid the interest amount vide DRC-03 ARN No.3612220071540 dated 19.12.2022.

10.2. From the above said DRC-03 and submission made by the taxpayer, it is noticed that the taxpayer has paid the said interest liability vide DRC-03 ARN No.36122200071540 dated 19.12.2022 by debiting Electronic Cash Ledger. Hence, I drop the demand of interest as proposed in the notice under Section 50 of the CGST Act, 2017.

11. Non-payment of GST on Advances received in FY. 2017-18 and 2018-19:

11.1. The show cause notice states that during the period 2017-18 and 2018-19, the taxpayer has received an amount of Rs.41,51,84,220/- through cheques. Out of this amount, the taxpayer has paid tax on the taxable value of Rs.7,71,55,032/- at the rate of 18%; that the taxpayer has claimed Rs.14,64,43,000/- towards exempted Sales (Sale of Land); that thus the taxpayer has not paid tax on the differential turnover of Rs.17,76,98,282/- which works out to Rs.1,59,92,845/- (CGST@9%) and Rs.1,59,92,845/- (SGST@9%).

11.2. In this regard, the taxpayer submitted that the project undertaken by him got completed & possession was handed over to the customers. The customers also have paid all the amounts towards the sale of Villas. Further he submitted that he has remitted the applicable GST also (including the advance received in FY 2017-18 and 2018-19) as shown below:

Sl. No.	Particulars	July, 2017 to Marh, 2021
1	Total receipts	70,67,62,816
2	Less:Land (exempt sales)	32,04,85,000
3	Less: Non-taxable receipts (Stamp duty, registration charges, GST etc.)	7,09,77,240
4	Net Taxable Value	31,53,00,570
5	Declared in GST returns	31,07,73,154
6	Difference to be declared	45,27,417
7	GST payable on the above 6	8,14,935

Further, the taxpayer also submitted that the major portion of the liability was paid through ITC in which case there is no interest liability on the belated remittance of the GST, if any to that extent. In this regard, other submission has also been made by the taxpayer as detailed at para 7 above.

11.3. From the reply to the notice submitted by the taxpayer, I found that the period of show cause notice undertaken is from July, 2017 to March, 2019 and proposed demand is limited to this period only; that total receipts (advances received through as per ledger) is Rs.41,51,84,220/- whereas for the same period as per the reconciliation sheet submitted by the taxpayer, the total receipts is Rs.22,28,82,098/-. However, in the present context, the reconciliation made by the taxpayer for the period from 2017-18 to 2020-21 is not relevant. The taxpayer's contention should be limited to the involved liability of Rs.3,19,85,690/-(CGST:Rs.1,59,92,845/-@9% and SGST Rs. 1,59,92,845/-) only as per the demand proposed in the notice. Further, other submissions made by the taxpayer are confusing and ambiguous. The taxpayer has also not made documentary evidences in support of his claim. Further, I also find that the case laws relied upon by the taxpayer have no relevance to the facts of the instant case. Hence, I hold that the taxpayer is liable for payment of tax amounting to Rs.3,19,85,690/- in terms of Section 74 of the CGST Act, 2017 along with interest and penalty as proposed in the notice.

12. Ineligible ITC availed during the FY 2018-19:

12.1. It has alleged in the notice that the taxpayer had wrongly claimed Input Tax Credit to the extent of Rs.44,51,756/- (CGST:Rs.22,25,878/- and SGST:22,25,878/-) and the said irregular ITC is recoverable along with interest under Section 50 of the CGST Act, 2017 and penalty under Section 74(1) of the CGST Act, 2017.

12.2. The taxpayer in his reply to the notice submitted that ITC cannot be denied merely due to non-reflection in GSTR-2A as all the conditions specified under Section 16 of CGST Act, 2017 has been satisfied. Further, the taxpayer submitted that GSTR-2A cannot be taken as a basis to deny the ITC in accordance with Section 41, Section 42, Rule 69 of CGST Rules, 2017.

12.3. It is seen from the Section 16(2), 41 and 42 of the CGST Act, 2017 and Rule 36 of the CGST Rules, 2017 that ITC can be availed by a registered taxpayer only if all applicable particulars specified in the tax invoice are furnished in the Form-2A of the taxpayer. When the supplier files GSTR -1 Return in any particular month disclosing his sales, the corresponding details are captured in the GSTR - 2A of the recipient. Hence, the amount of ITC available as disclosed in Table 4A must match with tax details disclosed in Form GSTR -2A. It is important to reconcile Form GSTR - 3B and Form GSTR - 2A. The excess Input Tax credit is not appearing in the GSTR 2 A of the taxpayer for the relevant period. Hence, it is obvious that the supplier of the recipient has not paid the tax to the Government to that extent of the amount not appearing in the GSTR 2A. In this context, I find that the taxpayer's contention is not sustainable. And, the case laws relied upon by the taxpayer has no relevance to the facts of the instant case. Hence, I hold that the taxpayer is not eligible for Rs.44,51,756/- (Rs.22,25,878 of CGST and Rs.22,25,878 of SGST). And, hence the taxpayer is liable to pay the said ineligible ITC along with applicable interest and penalty as proposed in the notice.

13. Section 50 of CGST Act, 2017 provides determination of liability to pay interest on delayed payment of tax and wrongly availed and utilised ITC. As per this section, if the person liable to pay tax fails to pay the same by the due date, he is required to pay tax along with interest at the applicable rates for the period of delay, i.e., for the period from the due date to the date of

actual payment. Hence, the taxpayer is liable for payment of interest where tax has to be paid or payment made after due date.

14. As regards with the invocation Section 74 of CGST Act, 2017, it is seen from the Section 74 that this section is invoked where any tax has not been paid or short paid or erroneously refunded or where input tax credit has been wrongly availed or utilised by reason of fraud, or any wilful-misstatement or suppression of facts to evade tax, he shall serve notice on the person chargeable with tax which has not been so paid or which has been so short paid or to whom the refund has erroneously been made, or who has wrongly availed or utilised input tax credit. It is also pertinent to mention here that in the milieu of self assessment, the statutory obligation is cast upon assessee to assess the tax liability on taxable service provided, pay the tax and submit the statutory returns within stipulated time. In the instant case, the issue of nonpayment of tax/ non-reversal of ITC came to light only during the audit of the taxpayer's records by the Department. The subject issues were neither intimated to department not sought for clarification from the department. Further, it is also observed that the taxpayer has not reflected such tax liability correctly in any of the statutory returns and further have filed the Annual Return GSTR-9 or GSTR-9C without taking cognizance of the RCM. Hence, the Department was not in the knowledge of the subject issue prior to the conduct of Audit. Hence, I hold that the Section 74 has rightly been invoked against the taxpayer for the demand of tax. And, I do not find any merit in the contention of the taxpayer and the demand is legally sustainable as valid provision has been invoked in the notice.

15. Upon a careful reading of Section 74 of the CGST Act, 2017, it is evident that any registered person who supplies any goods or services or both on which any tax has not been paid or short-paid or erroneously refunded, or where the input tax credit has been wrongly availed or utilised, for reason of fraud or any wilful misstatement or suppression of facts to evade tax, shall be liable to a penalty equivalent to the tax specified in the notice. In the instant case, the taxpayer has suppressed the facts with intention to evade payment of tax, the issues were came to light only when audit was conducted. Hence, I find that this is the fit case to impose penalty in terms of Section 74 of the CGST Act, 2017.

16. It is seen from the notice that a penalty under Section 125 of the CGST Act, 2017 has been proposed without discussing any grounds or contravention of the provisions. Further, I imposed penalty under Section of 74 of CGST Act, 2017 for each demand of tax. Hence, I drop the proposed penalty.

17. Cross empowerment of provisions of Telangana State Goods and Service Tax Act, 2017 have been provided under Section 6 of the TGST Act, 2017 to authorize Central Tax officers as the proper officers for the purposes of TGST Act. Further, Section 20 of the IGST Act 2017 stipulates that the provisions of the CGST Act shall *mutatis mutandis* apply in relation to integrated tax as in relation to Central Tax as if they are enacted under IGST Act 2017. Thereby any reference made under CGST Act 2017 in the order hereafter, may be considered as similar reference has also been made to relevant provisions of IGST Act 2017 and TGST Act 2017.

18. In view of the forgoing discussions and findings, I pass following order;

ORDER

(i) I confirm the demand of GST of Rs.3,060/- (CGST:Rs. 1,530/ - (+) SGST:Rs. 1,530/-) (Rupees Three Thousand Sixty only) for the year 2017-18 from the taxpayer in terms of Section 74 of the CGST Act, 2017 read with TGST Act, 2017;

(ii) I order for appropriation of Rs.3060/- paid by the taxpayer vide DRC-03, ARN No. AD361222007137K dated 19.12.2022 towards the tax demanded at para (i) above;

(iii) I confirm the demand of interest at applicable rates, on the tax amount demanded at para (i) above from the taxpayer in terms of Section 50 of the CGST Act, 2017 read with TGST Act, 2017;

(iv) I impose a penalty of Rs.3060/- (Rupees Three Thousand Sixty only) on the taxpayer in terms of Section 74 of the CGST Act, 2017 and TGST Act, 2017;

(v) I drop the demand of interest of Rs.827/- (Rupees Eight Hundred and Twenty Seven Only) (CGST:Rs.413.50 (+) SGST: Rs,413.50) proposed under Section 50 of the CGST Act, 2017 as the same has already been paid by the taxpayer vide DRC-03 ARN No.3612220071540 dated 19.12.2022.

(vi) I drop the penalty proposed under Section 125 of the CGST Act. 2017.

(vii) I confirm the demand of Rs.3,19,85,690/- (CGST Rs.1.59,92,845/- @9% and SGST Rs.1,59,92,845/-) (Rupees Three Crore Nineteen Lakh Eighty Five Thousand Six Hundred Ninety only) for the year 2017-18 & 2018-19 from the taxpayer in terms of Section 74 of the CGST Act, 2017 read with TGST Act, 2017;

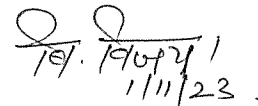
(viii) I confirm the demand of interest at applicable rates in terms of Section 50 of the CGST Act, 2017 from the taxpayer on the demand of Rs.3,19,85,690/- as mentioned at para (vii) above;

(ix) I impose a penalty of Rs.3,19,85,690/- (Rupees Three Crore Nineteen Lakh Eighty Five Thousand Six Hundred Ninety only) on the taxpayer in terms of Section 74 of the CGST Act, 2017 for the tax demanded at para (vii) above;

(x) I confirm the demand of Rs.44,51,756/- (CGST Rs.22,25,878/- (+) SGST Rs.22,25,878/-) (Rupees Forty Four Lakh Fifty One Thousand Seven Hundred Fifty Six only) from the taxpayer in terms of Section 74 of the CGST Act, 2017;

(xi) I confirm the demand of interest at applicable rates from the taxpayer in terms of Section 50 of the CGST Act, 2017 on the tax amount demanded at para (x) above;

(xii) I impose a penalty of Rs.44,51,756/- (Rupees Forty Four Lakh Fifty One Thousand Seven Hundred Fifty Six only) equal to the demand at para (x) above, on the taxpayer in terms of Section 74 of the CGST Act, 2017.


11/11/23

(B. VIJAY)

Additional Commissioner

To
M/s. VILLA ORCHIDS LLP,
2nd Floor, 5-4-187/3 and 4, Sohan Mansion, M. G. Road,
Secunderabad, Hyderabad, Talangana-500003

(By Speed Post and through email to Registered email id)

Copy submitted to:

1. The Commissioner of Central Tax, Secunderabad Commissionerate, Hyderabad.

(By Name to Superintendent, Review)

2. The Commissioner of Central Tax, Audit-II Commissionerate, Door No. 1-98/B/20, 21, Sanvi Yamuna Pride, Krithika Layout, Madhapur, Hitech City, Hyderabad - 500081 - w.r.t SCN issued in File C.No.V/01/GST/78/2020-GR.12/CIR-I, dated 05.01.2022 for information.

Copy to:

1) The Deputy/Assistant Commissioner of Central Tax, Secunderabad CGST Division, Secunderabad Commissionerate **with a direction to ensure that DRC 07 is created for this OIO and send compliance to this office.**

2) The Superintendent of Central Tax, Ramgopalpet-III Range for information, **with a direction to create DRC 07 for this OIO and send compliance through Division.**

3) Master file / Office copy.

भा.प्र.व.
ON I.G.S.

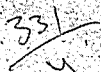
TO

m/s. villa orchids LLP

2nd Floor, 5-4-187/3 and 4,

Sokan mansion, M.G. Road

Secunderabad, Hyd - 500003



DESPATCH

Office of the Commissioner
Central Tax & Customs
Secunderabad GST Commissionerate
L.P. Stadium Road, Basheer Bagh
Hyderabad - 500 004

