March 2026

Recent rulings by courts and authorities

Supreme Court of India

Sharbat 'Rooh Afza' classifiable as a 'Fruit drink' under the provisions of Uttar Pradesh Value Added Tax Act, 2008

The Supreme Court of India ("**Supreme Court**"), in the case of ***Hamdard (Wakf) Laboratories vs. Commissioner of Commercial Tax, U.P***[1], ruled on the classification of 'Rooh Afza' under the provisions of Uttar Pradesh Value Added Tax Act, 2008 ("**UPVAT Act**"). The issue before the Supreme Court was whether 'Rooh Afza' qualifies as a 'fruit drink' and is taxable at 4% in terms of Entry 103 of Schedule II, Part A (*processed or preserved fruits including fruit drinks and fruit juice*) or falls under the residuary entry taxable at 12.5%.

It was argued before the Supreme Court that the product contains 10% fruit juice (8% pineapple, 2% orange) with invert sugar syrup and herbal extracts. During the course of the arguments, it was highlighted that a perusal of the relevant entry (i.e. Entry 103 of Schedule II, Part A) demonstrates that it is an inclusive entry and does not specify the quantum of fruit content so as to qualify or come within the scope of the said entry. Further, 'Rooh Afza' is commercially understood as a fruit-based beverage. Contrarily, the revenue authorities contended that syrup is the predominant ingredient, and regulatory descriptions classify it as a non-fruit syrup.

Based on the contentions above, the Supreme Court reaffirmed the long-held view that classification under a fiscal statute must be determined by the product's true nature, composition, and commercial identity. The entry in question was held to be inclusive and not contingent on any prescribed minimum fruit content. Classification must turn on the product's essential character. Importantly, the Supreme Court clarified that regulatory or licensing descriptions under food laws do not govern classification under a taxing statute, though they may have persuasive value in establishing a product's characteristics. The Supreme Court further reiterated that the burden lies on the revenue authorities to prove that a product falls outside a specific entry before invoking the residuary entry, which must be applied strictly and only as a measure of last resort.

Basis this, the Supreme Court held that Rooh Afza was classifiable under Entry 103 of Schedule II, Part A of UPVAT Act, leviable to tax at lower rate of tax at 4%.

[1] 2026 (2) TMI 1265 (decided on February 25, 2026)

High Courts

Cancellation of Goods and Services Tax registration without recording reasons or granting opportunity of hearing violates Article 14 of the Constitution of India

In the case of ***S.K. Tripathi vs. State of U.P. and Ors.***[2], the Hon'ble Allahabad High Court ("**Allahabad HC**") held that cancellation of Goods and Services Tax ("**GST**") registration without recording reasons and without affording an opportunity of hearing is arbitrary. It is also violative of Article 14 of the Constitution of India ("**Constitution**") and therefore cannot be sustained in law.

The dispute arose from an order cancelling S.K. Tripathi's ("**Petitioner**") GST registration under Section 29(2)(d) of the Central Goods and Services Tax Act, 2017 ("**CGST Act**"), which was subsequently affirmed by the appellate authority on the grounds that the appeal was barred by limitation and delay could not be condoned under the statutory scheme. The petitioner contended that the cancellation order was passed *ex parte* without application of mind and without granting an opportunity of hearing, thereby violating the principles of natural justice.

Considering the submissions made and placing reliance on the coordinate bench decision in *M/s Chandra Sain vs. Union of India and Ors.*[3]**,** the Allahabad HC observed as follows:

1. the impugned cancellation order did not record any reasons for cancelling the registration and therefore failed to demonstrate application of mind. Such an order cannot withstand scrutiny under Article 14 of the Constitution;
2. the Petitioner was not granted an opportunity of personal hearing prior to passing the order, which is contrary to the statutory scheme as well as the principles of natural justice;
3. it has been held that the existence of an alternative statutory remedy does not bar invocation of writ jurisdiction where there is violation of principles of natural justice or lack of jurisdiction[4];
4. tt has also been held that quasi-judicial orders must disclose reasons, as reasons constitute the heart and soul of a valid judicial or administrative order; and
5. since the primary order cancelling registration itself suffered from fundamental infirmities, the appellate order dismissing the appeal on the ground of limitation could not be sustained.

Based on the above, the Allahabad HC quashed the cancellation order as well as the appellate order and remitted the matter to the adjudicating authority for fresh consideration after granting the petitioner an opportunity to file a reply and be heard.

Consolidation of tax periods in show cause notice impermissible

In the matter of ***Bhawana Steel Traders vs. Joint Director, DGGI, Nagpur and Anr***.[5] and ***Shree Balaji Traders vs. GST Commissioner, Nagpur-II and Ors.***[6].the Hon'ble Bombay High Court (Nagpur Bench) ("**Bombay HC**") examined the validity of a consolidated show cause notice issued under Section 74 of the CGST Act covering multiple financial years alleging fraudulent availment of input tax credit.

The Bombay HC observed that the statutory framework of the CGST Act treats each financial year as a distinct tax period tied to the filing of returns and prescribes separate limitation periods for demand and recovery. Sections 73(10) and 74(10) of the CGST Act operate year by year based on the due date for furnishing the annual return for the relevant financial year, and therefore aggregating different financial years having distinct due dates and limitation timelines in a single show cause notice would collapse the year-wise statutory structure, as recognised in *Milroc Good Earth*

[2] 2026 (3) TMI 193 (decided on February 27, 2026)
[3] 2022 (9) TMI 1047
[4] (1998) 8 SCC 1
[5] 2026 (3) TMI 295
[6] 2026 (3) TMI 247

Developers vs. Union of India and Ors.[7]. The Bombay HC further noted that allegation of fraudulent availment of input tax credit does not create any exception permitting consolidation of multiple years into one notice. The only consequence of fraud is the applicability of the longer limitation period where statutorily provided, but it does not authorise collapse of distinct tax periods into a single proceeding and accordingly declined to follow the contrary view expressed by the Delhi High Court in *Mathur Polymers vs. Union of India and Ors.*[8].

Applying these principles, the Bombay HC held that the department could not rely on allegations of fraud to justify consolidation of multiple financial years in a single notice. Accordingly, the Bombay HC quashed the impugned consolidated show cause notice while granting liberty to the respondents to re-issue notices strictly in accordance with Section 74 of the CGST Act and the year-wise statutory scheme of the CGST Act, if otherwise permissible in law.

JSA Comment: The legality of consolidated or multi-year show cause notices remains unsettled, with High Courts adopting divergent views. Although the Supreme Court has examined the issue, it has not yet delivered a definitive ruling.

Notifications, circulars and instructions

Deferred payment of customs duty extended to Eligible Manufacturer Importers

The Central Board of Indirect Taxes and Customs ("**CBIC**"), *vide* Circular No. 08/2026-Customs dated February 28, 2026 ("**Circular**"), has extended the facility of deferred payment of customs import duty to a new category of importers designated as Eligible Manufacturer Importers ("**EMI**") pursuant to Notification No. 12/2026-Customs (N.T.) dated February 1, 2026. The facility will be available from April 1, 2026 till March 31, 2028 and will be governed by the Deferred Payment of Import Duty Rules, 2016. The measure aims to facilitate faster customs clearance of imported goods and encourage eligible manufacturers to obtain higher Authorised Economic Operator ("**AEO**") (T2/T3) accreditation.

The Circular prescribes detailed eligibility criteria for EMIs including:

1. manufacturer/importer status (or job-work model under Section 143 of the CGST Act);
2. possession of a valid importer exporter code;
3. minimum customs compliance footprint;
4. active GST registration;
5. manufacturing declaration;
6. prescribed turnover threshold;
7. minimum business continuity;
8. GST compliance;
9. no instance of tax collected but not deposited under GST;
10. no instance of duty collected but not deposited with the Government under either the Central Excise Act, 1944 or Chapter V of the Finance Act, 1994;
11. financial solvency, clean legal record;
12. no arrest/conviction;
13. pending prosecution;
14. no past rejection; or

[7] 2025 (10) TMI 867
8 2025 (9) TMI 112

15. suspension of EMI status due to false declarations or forged documents.

Eligible applicants must submit applications electronically from March 1, 2026 on the AEO India portal, after which the Directorate of International Customs (DIC), CBIC will examine and approve the application. Upon approval, the facility is enabled in the customs automated system. For operationalisation, the authorised nodal person must obtain login credentials for Indian Customs Electronic Gateway and indicate deferred payment in the bill of entry

Tax Practice

JSA offers a broad range of tax services, both direct and indirect, in which it combines insight and innovation with industry knowledge to help businesses remain compliant as well as competitive. The Tax practice offers the entire range of services to multinationals, domestic corporations, and individuals in designing, implementing and defending their overall tax strategy. Indirect Tax services include services such as (a) advisory services under the Goods and Services Tax laws and other indirect taxes laws (VAT/ CST/ Excise duty etc.), and includes review of the business model and supply chain, providing tax implications on various transactions, determination of tax benefits/exemptions, analysis of applicability of schemes under the Foreign Trade Policy (b) transaction support such as tax diligence (c) assistance in tax proceedings and investigations and (d) litigation and representation support before the concerned authorities, the Appellate Tribunals, various High Courts and Supreme Court of India. The team has the experience in handling multitude of assignments in the manufacturing, pharma, FMCG, e-commerce, banking, construction & engineering, and various other sectors and have dealt with issues pertaining to valuation, GST implementation, technology, processes and related functions, litigation, GST, DRI investigations etc. for large corporates. Direct Tax services include (a) structuring of foreign investment in India, grant of stock options to employees, structuring of domestic and cross-border transactions, advising on off-shore structures for India focused funds and advise on contentious tax issues under domestic tax laws such as succession planning for individuals and family settlements, (b) review of transfer pricing issues in intra-group services and various agreements, risk assessment and mitigation of exposure in existing structures and compliances and review of Advance Pricing Agreements and (c) litigation and representation support before the concerned authorities and before the Income Tax Appellate Tribunal, various High Courts and Supreme Court of India.

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