

IMPORTANT GST UPDATES

Issued in case of Valluru Pavan Chand by Andhra Pradesh High Court
Writ Petition Nos.12089 Of 2019 | Date: 13-06-2023

Ruling

Andhra Pradesh High Court has ruled that life tax is to be collected from the vehicle owner upon sale based on the net invoice price of the vehicle and not the ex-showroom price of the vehicle.

Observations & Findings

The petitioner had purchased a Hyundai Venue and during the purchase the petitioner paid 14% CGST, 14% SGST, and compensation cess as mandated by the Goods and Service Tax Act of 2017. However, the petitioner was subsequently compelled to pay an additional 14% tax based on the price mentioned in the invoice, which already included Central GST, State GST, and cess.

Challenging this, the petitioner argued that the authorities lacked the power to impose tax on the "net invoice price" inclusive of CGST, SGST, and compensation cess. They invoked Articles 265 and 300-A of the Constitution of India, which prohibit the levy or collection of taxes without proper legal authority and the deprivation of property without lawful authority. Therefore, they contended that the registering authorities could not levy, collect, or demand any tax unless explicitly authorized under the Act.

The department, on the other hand, maintained that the life tax on motor cars is imposed on the actual cost of the vehicle as outlined in the Sixth Schedule to the Fourth Proviso of Section 3(2) of the Andhra Pradesh Motor Vehicles Taxation Act, 1963. According to their interpretation, the cost of the vehicle encompasses the total consideration paid by the purchaser, including IGST and compensation cess under GST. They argued that the cost of the vehicle cannot be seen as excluding any part of the amount paid by the purchaser, necessitating the payment of life tax on the entire invoice cost.

In its ruling, the court sided with the petitioner and directed the levy of life tax on the cost of the motor vehicle, excluding Central GST, State GST, and cess. Additionally, the court ordered a refund of any amount collected in excess of the life tax payable by the petitioner as per the Sixth Schedule of the Act, based on the invoice sale price. The department was given a four-week timeframe to process the refund.