

IMPORTANT GST UPDATES

Issued in case of Vinod Metals by Bombay High Court | Date: 18-07-2023

Ruling

Any amount voluntarily paid by a taxpayer during a GST investigation can be used to offset the pre-deposit requirement when filing an appeal.

Observations & Findings

Vinod Metals HUF, a steel business entity, was undergoing a GST investigation. Prior to receiving a GST notice but during the investigation, the company chose to deposit a certain sum with the authorities in relation to the contested claim. Such type of voluntary payments are done by firms for various reasons, such as perceiving the disputed matter as debatable. By doing so, they also aim to evade potential interest liabilities if the outcome went against them.

Upon receiving the GST notice, Vinod Metals expressed its intention to utilize the amount already deposited to fulfill the pre-deposit condition. As per GST law, a pre-deposit is mandated before initiating an appeal, requiring 10% of the disputed tax amount. This provision is designed to discourage frivolous appeals. However, the request to adjust the previously paid sum towards pre-deposit was denied by the tax authorities, leading the company to escalate the matter to the Bombay High Court.

In court, an argument was put forth that if the GST portal failed to accommodate such adjustments, taxpayers should be permitted to file an appeal manually. This was presented on the premise that technical obstacles should not obstruct a taxpayer's access to a statutory remedy.

Contrary to the GST department's stance that voluntary payment and appeal provisions are separate and distinct, the court found in favor of Vinod Metals. It took into consideration the principles established by the Supreme Court in the past that any sum deposited during an investigation prior to notice issuance should be adjusted against the pre-deposit required for an appeal. The Central Board of Indirect Taxes had also supported a similar approach in previous tax regimes.

The Bombay High Court ruled that the right to appeal, being fundamental, should not be hindered by technical complications. The court opined that the law should be interpreted in a manner that aligns with the legislature's intent to facilitate access to justice.