



## JUDGEMENT

# GST ITC Cannot Be Denied Solely Due to Revenue Loss to State

**Issued By:** Karnataka High Court

**In Case Of:** Tractor and Farm Equipment Ltd

**Order No:** IN STRP NO. 26 / 2023

**Order Date:** 3<sup>rd</sup> March 2025

N J JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

[WWW.NJJAIN.COM](http://WWW.NJJAIN.COM)

## FACTS & OBSERVATIONS

- The dispute arose when the taxpayer claimed Input Tax Credit (ITC) during reassessment proceedings, which was disallowed by the department on the ground that the claim exceeded the amount initially declared in the return. The department argued that allowing such a claim would be impermissible as ITC is a concession, not an absolute right.
- The Karnataka High Court noted that ITC must ordinarily be claimed in the Return or Revised Return. Any exception requires bona fide justification, with the burden of proof on the taxpayer.
- The taxpayer had claimed ITC on goods used in manufacturing and stock transfers. However, the Appellate Tribunal granted a higher ITC than originally claimed, leading to the dispute.
- The department contended that ITC benefits cannot exceed the original claim and must strictly comply with statutory limitations.

# JUDGEMENT

- The court held that an assessing officer conducting reassessment is not merely tasked with increasing tax liability but must also correct deductions and exemptions that were either wrongly granted or omitted, even if such corrections benefit the taxpayer.
- The Court rejected the argument that ITC is a mere concession, affirming that the State cannot withhold lawful claims. ITC prevents double taxation and cannot be denied solely on procedural grounds.
- The High Court ruled that in reassessment proceedings, if the tax liability determined exceeds the originally assessed amount, the excess must be recovered with applicable interest and penalties. Conversely, if the reassessed liability is lower and the taxpayer has already paid more, ITC claims must be granted, provided they are made before the reassessment proceedings are concluded.

N J JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

[WWW.NJJAIN.COM](http://WWW.NJJAIN.COM)

---

[info@niteshjain.co.in](mailto:info@niteshjain.co.in)

079-4002-2628