



## JUDGEMENT

# GST Recovery from a Third-Party Company Quashed for Violating Corporate Separateness and Statutory Safeguards Despite Common Directorship

<b>Issued By:</b>	Karnataka High Court
<b>In Case Of:</b>	M/S Ramms India Pvt Ltd
<b>Order No:</b>	WP No. 34270 OF 2025
<b>Order Date:</b>	19th Dec 2025

## FACTS & OBSERVATIONS

- The petitioner, M/s Ramms India Private Limited, a private limited company incorporated in 1994, **approached the High Court challenging a coercive recovery action initiated by the GST department** through issuance of Form GST DRC-13 dated 14 October 2025.
- The impugned recovery related to **GST dues adjudicated against another private limited company incorporated in 2007, with which the petitioner shared only one common director**, but otherwise functioned as an independent legal entity.
- **The department directly attached and recovered approximately ₹73 lakh** from the petitioner's bank account maintained with Canara Bank for FY 2022-23, despite no show cause notice, adjudication, or determination of liability ever being issued to the petitioner.
- The petitioner contended that it was neither the defaulting taxpayer nor a garnishee of the defaulting entity, and **that the recovery was initiated solely on the basis of common directorship, without lifting the corporate veil through any lawful process.**

## JUDGEMENT

- The Court reaffirmed the doctrine of corporate separateness, holding that each company is an independent juristic person and that tax liabilities of one entity cannot be fastened on another merely because of a common director.
- Relying on its earlier decision in SJR Prime Corporation Pvt. Ltd., the Court held that garnishee proceedings under Section 79 of the CGST Act require strict compliance with procedural safeguards, including prior notice to the alleged garnishee.
- It was observed that the petitioner was never determined to be holding or owing any money to the defaulting company, and therefore could not be treated as a garnishee; indirect recovery by bypassing statutory requirements was held to be legally unsustainable.
- The High Court quashed the impugned DRC-13, directed the tax department to process the refund of the recovered amount along with applicable interest within prescribed timelines, and reiterated that coercive recovery in violation of due process cannot be sustained under GST law.

N J JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

**WWW.NJJAIN.COM**

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info@niteshjain.co.in

079-4002-2628