



## 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.

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