



GCo Connect - February 2026

Gabhawalla & Co | Chartered Accountants

Greetings to all our readers!

The Union Budget 2026 focused on simplification, and export competitiveness on the IDT side of changes. Key GST changes include easier treatment of post-sale discounts, faster and broader refunds (including inverted duty), stronger advance ruling framework, and revised place-of-supply for intermediaries. Customs changes rationalise exemptions, shift effective rates into the tariff, ease inter-warehouse movement, remove the courier export value cap, and expand AEO/trust-based, tech-driven clearance. Readers can refer to our summary of Union Budget 2026 for Key take-aways under indirect tax.

Taxpayers are advised to review their GST login and GST-related communication channels (emails/ SMS) carefully. If a SCN for FY 2021-22 was issued and the final order has already been passed before December 2025, the time limit for filing an appeal against such order would likely expire before March 2026. Similarly, for cases where SCNs under Section 74 were issued and the matter is still pending, taxpayers should remain alert for hearing notices or final orders, as the statutory deadline for passing such orders falls in March 2026.

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GST Sector Spotlight | Insight Series

We've hosted eight insightful sessions as part of our latest video series, designed to break down the complexities of GST Law into practical, sector-specific guidance you can apply with ease in your business. The details of the said sessions are tabulated below for quick access:

Topic	Date	YouTube Link
GST for Rented/ Leased Properties	30-Jan-2026	Click here
Key Changes in Form GSTR 9/9C for FY 2024-25	07-Nov-2025	Click here
E-way bill in GST	26-Sept-2025	Click here
Media and Entertainment Sector	02-Sept-2025	Click here
Infrastructure, Construction and Engineering Sector	01-Aug-2025	Click here
Goods Transport Agencies in GST	27-June-2025	Click here
Issues in Hospitality Sector	30-May-2025	Click here
RCM in Real Estate Sector	25-Apr-2025	Click here

This newsletter is for general public information and knowledge sharing. In case any clarifications required, you may connect with us at:

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A. PORTAL UPDATES

- **GSTN advisory w.r.t. “Interest collection and related enhancements in GSTR-3B”**

(A) Change in Interest Calculation – GSTR-3B (Table 5.1)

- From the January 2026 tax period, interest on delayed payment of tax in Form GSTR-3B will be computed by considering the minimum cash balance lying in the Electronic Cash Ledger from the due date of filing till the date of tax payment, in line with proviso to Rule 88B(1) of the CGST Rules and proviso to Section 50 of the CGST Act.

Revised formula in the GSTN system:

Interest = (Net Tax Liability – Minimum Cash Balance in ECL from due date to date of debit) × (No. of days delayed / 365) × Applicable Interest Rate

(B) Auto-computed interest – Not editable downwards moving forward

- Interest in Table 5.1 of Form GSTR-3B will now be auto-calculated and cannot be reduced by the taxpayer.
- This auto-populated interest is only the minimum interest payable; taxpayers must still self-assess and increase the interest, if their actual liability is higher, to remain compliant with Section 50.

(C) Auto-Populated “Tax Liability Breakup” – Table 6.1

- From the January 2026 tax period, the portal will auto-fill the “Tax Liability Breakup Table” (for earlier-period supplies reported and paid in the current GSTR-3B), based on document dates of supplies reported in GSTR-1 / GSTR-1A / IFF of previous tax periods where tax is discharged in the current period.
- These values are suggestive; taxpayers may increase them, if required, based on their own records

(D) ITC Cross-utilisation – IGST Payable from CGST/SGST

- Once IGST ITC is fully used, the portal will now allow payment of remaining IGST liability in Table 6.1 of GSTR-3B using available CGST and SGST credits in any sequence, in line with the ITC utilisation rules under the CGST Act.

(E) Interest Collection through GSTR-10 for Cancelled Taxpayers

- For cancelled registrations, if the last applicable GSTR-3B was filed late, the interest on such delay will be charged and collected through the Final Return, GSTR-10, in accordance with Section 50 of the CGST Act.

GST Portal advisory dated 30.01.2026

B. NOTIFICATIONS/ INSTRUCTIONS ISSUED

- **GST Appellate Tribunal - Office Order**

- The Office Order issued by the Principal Bench, New Delhi, of the GST Appellate Tribunal addressed initial practical difficulties faced by appellants while filing appeals on the GSTAT Portal.
- The President of the GSTAT has given directions to Registry of each bench that for the first 6 months from the date of this order, a lenient view should be taken while scrutinising appeal documents filed on the GSTAT Portal. Further, only defects of substance (i.e., those that affect the merit of the case) should be raised; mere defects of form (that do not impact the case's merits) should not lead to objections.
- The Order also clarified that documents generated digitally through the GSTN system and filed with the appeal do not need certification. However, scanned copies of physical documents attached with the appeal must be signed.

F. No. GSTAT/Pr. Bench/Portal/125/25-26/2711-15 dated 20.01.2026

C. RECENT DECISION (JUDICIARY & ADVANCE RULINGS)

I. Classification and Taxability under GST

- The Authority for Advance Rulings (AAR), in the case of **In Re: CITIUS HOLIDAYS PRIVATE LIMITED (2026-VIL-06-AAR)** addressed bundled event management. The AAR held that event management is a composite supply where, food and beverages function as ancillary components. Consequently, taxpayers can claim ITC on these elements under the proviso to Section 17(5)(b)(i), even when provided as an inseparable "conference package."
- **In Re: M/s ACER INDIA PRIVATE LIMITED (2026-VIL-01-AAAR)**, the AAAR classified Interactive Flat Panel Displays (IFPDs) as Monitors (28% GST) under CTH 8528 rather than Automatic Data Processing (ADP) machines (18%). Despite having ADP features, the "Principal Function" was determined to be display and viewing, a decision reinforced by Circular No. 12/2025-Customs.
- The "Essential Character" test was rigorously applied to Completely Knocked Down (CKD) kits **in re: NAVYA ELECTRIC VEHICLE PRIVATE LIMITED (2026-VIL-05-AAR)**. The AAR ruled that if a kit contains the motor and any three of the four critical components—transmissions, axles, chassis, and controller—in "proportionate numbers capable of building complete e-rickshaws," it is classified as a finished vehicle under HSN 87038040 (5% GST). Failure to meet this component threshold triggers the 18% rate for individual parts.

II. Input Tax Credit (ITC)

(a) Eligibility related

- In **MANOJ KUMAR SINGH Vs PRINCIPAL COMMISSIONER (2026-VIL-71-JHR)** and **M/s SESAME TECHNOLOGIES PVT LTD vs. DEPUTY STATE TAX OFFICER (2026-VIL-60-KER)**, courts held that the insertion of Section 16(5) provides an extraordinary "second life" for ITC claims from FY 2017-18 to 2020-21. The HCs remanded matters to grant credit previously denied under Section 16(4) time limits.
- **In Re: M/s SHIBAURA MACHINE INDIA (2026-VIL-02/03-AAAR)**, the AAAR clarified the Section 17(5) block, distinguishing between "plant and machinery" and installations that "assimilate" into a building. Specifically, LT panels and bus ducts were held to be part of the immovable property, thus ineligible for ITC as they lose their independent identity upon installation.

III. Exports and Refund claims

(a) Eligibility of Refunds

- In **LI AND FUNG (INDIA) Vs UNION OF INDIA (2026-VIL-75-KAR)**, the High court distinguished between an "intermediary" and a direct exporter of services. By analyzing the Service Agreement, it was found that the petitioner provided services directly to the parent company, qualifying them for full ITC refunds.
- Applying the Doctrine of Restitution, in **M/s PARADEEP PHOSPHATES vs. ADDITIONAL COMMISSIONER, GST (APPEALS) (2026-VIL-77-ORI)**, the High Court held that when a tax levy (like ocean freight) is declared unconstitutional, interest must be paid from the date of deposit, as the State cannot benefit from unauthorized retention.

IV. Adjudications/ Principles of Natural Justice

(a) Validity of bunched SCNs

- In **TVL. SHOT X RETAIL vs. STATE TAX OFFICER (2026-VIL-65-MAD)**, the court struck down "bunching" of multiple financial years into one SCN as a jurisdictional error, noting that w.e.f. April 1, 2024, the omission of Sections 73 and 74 necessitates a shift to the new Section 74A regime.

(b) Judicial process

- The Bombay High Court, in **A. M. MARKETPLACES vs UNION OF INDIA (2026-VIL-54-BOM)** mandated a 3-month gap between SCN and Order to ensure a fair hearing.
- A vital procedural safeguard was upheld in **M/s DUAKEM PHARMA PVT LTD vs. THE DEPUTY COMMISSIONER OR REVENUE (2026-VIL-76-CAL)**, where the High Court struck down an ITC reversal because the Adjudicating Authority introduced grounds (classification of Dicalcium Phosphate) not present in the original Show Cause Notice (SCN), violating Section 75(7). ITC integrity is often the first line of defence against RCM liabilities.
- In **KANAKALATA SENAPATI vs. ASST. COMMISSIONER (2026-VIL-57-ORI-ST)**, the court held that orders against deceased persons are a nullity, as proceedings abate in the absence of specific statutory provisions to the contrary in the Finance Act, 1994.

(c) Penalties and Recovery

- In **M/s SONA ENTERPRISES Vs ASSISTANT COMMISSIONER (2026-VIL-70-AP)**, the High Court restricted the extra-judicial recovery powers under Section 75(12). The court held that disputed RCM interest does not constitute "self-assessed tax," meaning it cannot be recovered through bank attachments without a formal adjudication proceeding under Section 73 or 74.

- A "Safe Harbor" was reinforced in **NIRMANGOLD PROPERTY DEVELOPERS vs COMMISSIONER OF CGST & CENTRAL EXCISE (2026-VIL-149-CESTAT-MUM-ST)**. Under Section 73(3) of the Finance Act, 1994, the Tribunal set aside penalties because the appellant voluntarily paid the tax and interest before the SCN was issued, effectively concluding the matter without penal consequence

V. Pre-GST regime cases

(a) Service Tax - Taxability/ ITC:

- In **IQBAL ABDULLAH Vs COMMISSIONER OF SERVICE TAX (2026-VIL-148-CESTAT-MUM-ST)**, the Tribunal ruled that player fees are considerations for professional cricketing services, not branding support. Crucially, the wearing of team kits featuring franchise logos was deemed an integral part of the sporting activity rather than a separate "Business Support Service," as the player remains under the franchise's total control.
- The "Same Entity" principle was reinforced in **M/s SIMON INDIA LIMITED Vs COMMISSIONER, CGST (2026-VIL-130-CESTAT-DEL-ST)**, which held that reimbursements to a foreign representative office cannot be taxed as an import of services under RCM.
- In **M/s PANIPAT THERMAL POWER STATION Vs COMMISSIONER OF CENTRAL EXCISE (2026-VIL-146-CESTAT-CHD-ST)**, the Tribunal applied the dominant intention test to the supply of dry fly ash to cement manufacturers. Although the Department attempted to classify "administrative charges" (covering water, electricity, and site access) as taxable "Business Support Services," the Tribunal held the transaction was fundamentally a sale of goods. The decision of the Tribunal confirms that incidental infrastructure use does not transmute a sale into a service, providing a vital shield for industrial entities against the misclassification of incidental recovery charges.
- Credit claim on transit insurance was allowed for "Freight-On-Road" basis transaction in **CARRIER AIR CONDITIONING vs COMMISSIONER OF CENTRAL EXCISE AND GST (2026-VIL-139-CESTAT-CHD-CE)** and similarly, credit for Professional Indemnity Insurance in **M/s BSR AND CO LLP vs COMMISSIONER OF CENTRAL EXCISE AND GST (2026-VIL-115-CESTAT-CHD-ST)** was allowed, citing a direct nexus with business risk management

(b) Central Excise - Valuation

- In **M/s SUPERFINE KNITTERS vs COMMISSIONER OF CENTRAL EXCISE AND SERVICE TAX (2026-VIL-143-CESTAT-CHD-CE)**, the Tribunal ruled that exporters cannot be penalized for a Customs officer's failure to record shipping bill details on ARE-1 forms, provided secondary proof of export like Bank Realization Certificates (BRCs) exists.

(c) Customs – Exemption/Valuation:

- In **M/s ASPEN DIAGNOSTICS PVT LTD Vs COMMISSIONER (2026-VIL-117-CESTAT-DEL-CU)**, the Tribunal applied the Doctrine of Purposive Construction to interpret "therapeutic respiration apparatus" broadly. By rejecting a narrow "ventilator-only" definition, the court extended the 'nil' rate benefit under Notification No. 20/2020-Cus to oxygen concentrators, acknowledging the pandemic-era intent of the exemption
- In **COMMR. OF CUSTOMS Vs M/s AAHANA COMMERCE PVT LTD (2026-VIL-125-CESTAT-KOL-CU)**, the Tribunal affirmed that the Department cannot enhance CIF values without a sustainable basis under Section 14 of the Customs Act and the Valuation Rules. The Revenue bears the burden of proving that price was not the sole consideration; in the absence of evidence regarding related-party influence or "extra" payments, the declared transaction value must be respected.

D. GST COMPLIANCE CHART FOR FEBRUARY 2026

S N	Due Date	Form	Period	Periodicity	Special Remarks
1.	10.02.2026	GSTR - 7	Jan 2026	Monthly	To be filed by those who are required to deduct TDS under GST
2.	10.02.2026	GSTR - 8	Jan 2026	Monthly	To be filed by those who are required to collect TCS under GST
3.	11.02.2026	GSTR - 1	Jan 2026	Monthly	Taxpayers filing GSTR - 1 monthly
4.	13.02.2026	GSTR - 5	Jan 2026	Monthly	To be filed by a non-resident foreign taxpayer registered in GST
5.	13.02.2026	GSTR - 6	Jan 2026	Monthly	To be filed by an ISD
6.	13.02.2026	IFF	Jan 2026	Monthly	To be filed by those under QRMP Scheme (optional)
7.	20.02.2026	GSTR - 3B	Jan 2026	Monthly	To be filed by Taxpayer filing monthly GSTR 3B
8.	20.02.2026	GSTR - 5A	Jan 2026	Monthly	To be filed by non-resident Online Information and Database Access or Retrieval (OIDAR) services provider
9.	25.02.2026	PMT - 06	Jan 2026	Monthly	Challan to be filed for payment by those under QRMP Scheme