

EY Tax Alert

Delhi HC allows consolidation of GST proceedings initiated by different authorities

Executive summary

This Tax Alert summarizes a recent judgement of the Delhi High Court (HC)¹ upholding the legality of consolidation of proceedings in case where two authorities concurrently initiate investigations.

The issue in the present case was whether the investigation initiated by Jurisdictional Commissionerate can be transferred to Directorate General of Goods and Services Tax Intelligence (DGGI), where the latter had also commenced investigation on a different subject matter but had certain issues in common.

The key observations of the HC are:

- ▶ It is undisputable that both the authorities possess necessary jurisdiction to conduct investigations.
- ▶ The object of Section 6(2)(b) of the Central Goods and Services Tax Act, 2017 (CGST Act) is to ensure that cross empowerment of officers of central and state tax do not result in the taxpayer being subjected to parallel proceedings.
- ▶ Neither the above provision, nor does the Circular dated 5 October 2018² proscribe the transfer of investigations or proceedings merely because the authority that commences the investigation is also empowered to see it through various stages.
- ▶ In a case where investigations are commenced separately by two authorities and coincides at some stage, it cannot be implied that two authorities cannot consolidate the same.
- ▶ If the said provision is read in a restrictive manner, DGGI and Jurisdictional Commissionerate will still be able to pursue their investigations independently.

Accordingly, HC dismissed the writ petition filed by assessee.

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¹ TS-530-HC(DEL)-2023-GST

² F. No. CBEC/20/43/01/2017

Background

- ▶ Assessee in the present case has two sole proprietorship concerns which are registered separately under the Central Goods and Services Tax Act, 2017 (CGST Act). One concern is engaged in the business of trading of commercial urea whereas the other deals in agricultural urea, pesticides and seeds.
- ▶ Initially, investigations for the relevant period were commenced by CGST Commissionerate of Delhi (Jurisdictional Commissionerate) regarding availment of ineligible input tax credit (ITC) from non-existent firms.
- ▶ Thereafter, Directorate General of GST Intelligence (DGGI) initiated investigation relating to diversion of agricultural grade urea and its sale as technical grade urea, while also reflecting purchase of the same on the basis of fake invoices.
- ▶ Assessee made representations to inform DGGI regarding proceedings commenced by Jurisdictional Commissionerate and to refrain from any further action as parallel proceedings were impermissible.
- ▶ Investigation conducted by Jurisdictional Commissionerate were instructed to be transferred to DGGI and its officers would continue the investigation from the same stage.
- ▶ Aggrieved by the same, assessee filed a writ petition before the Delhi HC on the issue of whether DGGI is precluded from conducting any investigations on account of summons issued by Jurisdictional Commissionerate.

Assessee's contentions

- ▶ DGGI and its officers cannot proceed with the investigation initiated by Jurisdictional Commissionerate in view of Section 6(2)(b) of the CGST Act.

As per the above provision, where a proper officer under the State GST Act has initiated any proceedings on a matter, no proceedings can be initiated by the proper officer under the CGST Act on the same subject matter.
- ▶ Even as per Circular dated 5 October 2018³, it is not permissible to transfer the investigation by one authority to other.
- ▶ Moreover, there is no express provision under the CGST Act for affecting any such transfer.

Revenue's contentions

- ▶ The investigations conducted by Jurisdictional Commissionerate and DGGI are separate investigations gathered with their respective intelligence.
- ▶ There is no bar to conduct said investigations as the substratum of their respective investigations are not identical.
- ▶ The Jurisdictional Commissionerate agreed for the transfer of investigation which would be continued by DGGI.
- ▶ No dispute is expressed either by the Jurisdictional Commissionerate or the DGGI in relation to the investigation to be conducted by a singular agency.

HC ruling

- ▶ There is no dispute that officers of both the authorities possess necessary jurisdiction to conduct the investigations.
- ▶ The object of Section 6(2)(b) of the CGST Act is to ensure that cross empowerment of officers of central and state tax do not result in the taxpayer being subjected to parallel proceedings.

It cannot be said that the said provision proscribe the transfer of investigations or proceedings.

- ▶ The Circular relied by the assessee clarifies that the officers of both, central and state tax authorities, are authorized to initiate intelligence-based enforcement action on the entire taxpayers' base, notwithstanding the administrative assignment of such taxpayers to any authority.

It further clarifies that the officers of the central or the state tax are not disabled from continuing the intelligence-based enforcement action initiated by them for completing the entire process.

- ▶ The said Circular also does not proscribe the transfer of investigations or proceedings among proper officers who otherwise have the jurisdiction to conduct those proceedings.
- ▶ The same cannot be read in the negative as prohibiting transfer of investigations or consolidation of investigations with one authority, merely because the authority that commences the investigation is also empowered to see it through various stages.
- ▶ In a case where investigations are commenced separately by two authorities and coincides at some stage, it cannot be implied that two authorities cannot consolidate the same.
- ▶ In the present case, the focus of DGGI's investigation is somewhat different from the one being

³ F. No. CBEC/20/43/01/2017

commenced by Jurisdictional Commissionerate. However, the issue regarding availment of ITC is common for both the authorities.

- ▶ Hence, it cannot be accepted that the provisions of Section 6(2)(b) of the Act can be interpreted to proscribe consolidation of investigation or proceedings under a single authority, where warranted.
- ▶ If the said provision is read in a restrictive manner, DGGI and Jurisdictional Commissionerate will still be able to pursue their investigations independently.
- ▶ At the outset, the assessee's grievance was in respect of conduct of parallel proceedings. The same perished with the handover of the investigation given by Jurisdictional Commissionerate to DGGI.
- ▶ Hence, DGGI can continue the investigation from the stage, as obtained from the Jurisdictional Commissionerate.

Comments

- a. Earlier, Calcutta HC had held that parallel proceedings cannot be initiated or conducted simultaneously by the different wings of the same department for the same period and on the same subject matter against the assessee [2022-TIOL-1305-HC-KOL-GST].
- b. While the provisions referred in the judgement pertained to cross empowerment of the officers of the State and Central tax authorities, in the present case both the authorities involved were under the Central Government.

Our offices

Ahmedabad
22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon
Temple, Off SG Highway
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Bengaluru
12th & 13th floor
"UB City", Canberra Block
No. 24, Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground Floor, 'A' wing
Divyasree Chambers
11, O'Shaughnessy Road
Langford Gardens
Bengaluru - 560 025
Tel: + 91 80 6727 5000

Chandigarh
Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai
Tidel Park, 6th & 7th Floor
A Block, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR
Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: +91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad
THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jamshedpur
1st Floor, Fairdeal Complex
Holding No. 7, SB Shop Area
Bistupur, Jamshedpur - 831 001
East Singhbhum Jharkhand
Tel: + 91 657 663 1000

Kochi
9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata
22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

Pune
C-401, 4th floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

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