IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 05-03-2026

CORAM

THE HON'BLE MR JUSTICE C. SARAVANAN

WP No. 8426 of 2026

Microbasia
GSTIN 33AAGFP5849Q1Z1,
Represented by its Partner Mr.R. Srinivasan
No.4/328, Sivaptham Street,
Mel Ayanambakkam,
Chennai 600095

..Petitioner(s)

Vs

The State Tax Officer
Vanagaram Assessment circle
Integrated CT Building
No.4/109, chennai Bangalore Highways
Varadharajapuram,
Nazarathpet
Poonamallee-600 123

..Respondent(s)

Prayer: This Writ Petition is filed under Article 226 of Constitution of India to call for the records relating to the impugned order in DRC-07 bearing reference number ZD3312252101823 dated 15.12.2025 passed by the Respondent and quash the same as the same being arbitrary, passed in violation of the principles of natural justice.

For Petitioner(s): Mr.G Natarajan

For Respondent(s): Mr.V.Prashanth Kiran, GA

ORDER

Mr.V.Prashanth Kiran, learned Government Advocate takes notice for the Respondent.

2. This Writ Petition is being disposed of at the stage of admission itself with the consent of the learned counsel for the Petitioner and the learned Government Advocate for the Respondent.

3. In this Writ Petition, the Petitioner has challenged the impugned Order dated 15.12.2025 whereby a proposal in Form GST DRC-01 dated 22.09.2025 as far as defect No.3 has been confirmed. Defect No.3 pertains to E-way bills with branch transfer. The relevant portion of the SCN in Form GST DRC-01 dated 22.09.2025 reads as under:-

> "*Hence, the transactions made by you to related/distinct person is subject to tax as per the schedule 1 of TNGST Act, 2017. The details of transaction reported by you in E-way bills is given below*

No of Transactions with the same PAN	Inter-State turnover reported	Intra-State turnover reported	Total turnover reported	Tax Value reported
1	2	3	4	5
69	78738752	0	78738752	0

For the above discrepancies, kindly substantiate the reasons in the reply along with proof of records/ documentary evidence / proof of payment (with interest) for verification. In case of accepted discrepancy, you are requested to make payment of differences of taxes which were short paid in form DRC-03 along with applicable interest through GST Common portal within 30 days of receipt of the notice, failing which appropriate further action will be initiated as per the provisions of the TN GST Act, 2017 / CGST Act 2017 / IGST Act 2017."

4. The petitioner's reply to the above is as follows:

"*E-way Bills with Nil Rate of Tax (Branch Transfer)*

The E-Way Bills referred to in the notice pertain to the inter-branch movement of Animal Feed Supplement (HSN 2309 90 90) between our units registered in Tamil Nadu, Andhra Pradesh, and West Bengal.

As per Notification No.2/2017- Central Tax (Rate) dated 28.06.2017, as amended, the supply of animal feed, feed supplements, feed concentrates, additives, etc., is exempt from GST.

Accordingly, the goods moved between our branches / related persons are exempt supplies, and hence, E-way bills were rightly generated with a nil reate of tax. Under Schedule 1 of the CGST/TNGST Act, 2017, supply between related or distinct persons is deemed to be a supply only if it is a taxable supply.

However, since animal feed supplements are exempt goods, the said movements do not attract GST, even if made between distinct persons.

Therefore, the generation of E-way bills with nil rate of tax is in full compliance with the GST provisions."

5. On a perusal of GSTR-9 return filed under respective GST Enactments indicates that the total turn over of the petitioner during the relevant period was Rs.20,94,89,127.06/- out of which the petitioner has claimed exempted turn over of Rs.1,90,359/- towards B2B supply and has not discharged any tax.

6. It is the case of the petitioner that the bank transfer of Rs.7,87,38,752/- out of Rs.20,94,89,127.06/- leaving aside the exempted turn over of Rs.1,90,359/- was also exempted turn over. However the petitioner has been asked to pay the following amount.

"*The total tax payable on account of these deficiencies is arrived as follows:*

S.No	Description	IGST
1	2	3
1	Total tax due	14172975
2	Interest	10735737
3	Penalty on amount in S.No.1	1417297
4	Total (1 + 2 + 3 + 4)	26326009

7. The case on record also reveals that the petitioner filed an application for rectification of the impugned order by filing applications on 13.01.2026, 06.02.2026 came to be rejected by two separate orders dated 02.02.2026 and 11.02.2026. The reading of the impugned order indicates that there has been no procedural irregularities committed by the respondent by passing impugned orders. The petitioner has complicated the issue by not properly responding to the notice in GST DRC 01 dated 22.09.2025 in its reply dated 27.10.2025. The content of the same is extracted above.

8. The petitioner may have a case or may not have a case. In absence of proper reply with full particulars of the supply made to branch, I do not find any reasons to interfere with the impugned order.

9. However, this Court is inclined to accept the request of the petitioner to remit the case back to the respondent for denovo adjudication, subject to the petitioner filing a proper rely to the Notice in Form GST DRC-01 dated 22.09.2025, by substantiating the entire turn over of Rs.7,87,39,752/- with proper E-way bill, supporting invoice or E-challans and by explaining the same in reply.

10. The petitioner shall deposit 10% of the disputed tax, which the petitioner would have otherwise been required to deposit had the petitioner filed

an appeal before the Appellate Authority either in cash or from the Petitioner's Electronic Cash Register within a period of thirty (30) days from the date of receipt of a copy of this order.

11. Therefore, to balance the interest of both parties viz., the Assessee and the Revenue, the case is remitted back to the Respondent to pass a fresh order on merits subject to the Petitioner depositing 10% of the disputed tax in cash or from the Petitioner's Electronic Cash Register within a period of thirty (30) days from the date of receipt of a copy of this order.

12. Within such time, the Petitioner shall also file a reply to the Show Cause Notice in GST DRC-01 dated 22.09.2025 together with requisite documents to substantiate the case by treating the impugned Order dated 15.12.2025 as an addendum to the Show Cause Notice dated 22.09.2025.

13. In case the Petitioner complies with the above stipulations, the Respondent shall proceed to pass a final order on merits and in accordance with law as expeditiously as possible, preferably, within a period of six (6) months of such reply/pre-deposit. Subject to the Petitioner complying with the above stipulations, the attachment of the bank account of the Petitioner if any, shall also stand automatically vacated.

14. It is made clear that bank attachment shall be lifted subject to the Petitioner depositing 10% of the disputed tax as ordered above and the Petitioner not being in arrears of any other amount for any other tax period barring the amount demanded under the impugned Order.

15. In case the Petitioner fails to comply with any of the stipulations, the Respondent is at liberty to proceed against the Petitioner to recover the tax in accordance with law as if this Writ Petition was dismissed *in limine* today.

16. Needless to state, before passing any such order, the Respondent shall give due notice to the Petitioner.

05-03-2026

Index: Yes/No
Speaking/Non-speaking order
Neutral Citation: Yes/No

JAI

C.SARAVANAN, J.

JAI

To
1. The State Tax Officer
Vanagaram Assessment circle
Integrated CT Building
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