IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 17-03-2026

CORAM

THE HONOURABLE MR JUSTICE C. SARAVANAN

WP No. 9922 of 2026
and WMP Nos.10721 & 10722 of 2026

Mercantile Ventures Limited
Represented by Director Mr E N
Rangaswami, No.88, Mount Road,
Guindy Chennai-600 032

Petitioner(s)

Vs

The Assistant Commissioner (ST)
Saidapet Assessment circle No.230,
2nd floor, Integrated Registration and
commercial Tax building Nandanam
Chennai-600 035.

Respondent(s)

PRAYER

Writ Petition filed under Article 226 of the Constitution of India, for issuance of a Writ of Certiorari, calling for the records relating to the Impugned Order in FORM GST DRC - 07 bearing Reference Number ZD3312254598652 dated 31.12.2025, passed by the Respondent herein, to quash the same.

For Petitioner(s): Mr. Shiva Kumar G

For Respondent: Ms.Amirtha Poonakodi Dinakaran
Government Advocate

ORDER

Ms. Amirtha Poonkodi Dinakaran, 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.The petitioner before this Court against the impugned order in DRC-07 dated 31.12.2025 whereby the proposal in Show Cause Notice in DRC-01 dated 26.09.2025 has been confirmed. The petitioner had also filed a reply to the said Notice in DRC-06 dated 24.10.2025. Among three defects that were pointed out in DRC-01 dated 26.09.2025 demand in respect of defect No.1 alone tax has been confirmed with the following observation:

Dividend Income

As the same is covered under the definition of Money. And transaction in money is not covered under GST. Dividend income is generally outside ***the scope of GST*** *and no specific section in the GST Act deals with its taxation because it is considered a transaction in securities or simply a share of profit, not a supply of goods or services. While the dividend income itself is not subject to GST, the reversal of common input tax credit (ITC) under Rule 42 and 43 of the CGST Rules does not occur.*

Interest Income:

Except Income are interest income. As per the entry no.27 of Notification No.12/2017-Central Tax (Rate) dated 28.06.2017 services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) are exempt. If we paid interest on loan or earned some interest income on loans or deposits then that interest is exempt. Therefore the FD income is exempted turnover.

"*But the tax payer has not provided any supporting documents like form 26As or bank statements to substantiate that the above income are exempted supply. The same is not declared in any other returns like gstr 1, 3b or 9. No explanation is given for the same. With no proper supporting documents the defect is confirmed.*"

4.It is submitted in case the department wanted the documents, they should have called the petitioner to submit the same. The learned counsel for the petitioner would submit that the petitioner had initially filed a reply on 24.10.2025 based on its understanding of the issue involved and had taken a response to the said notice.

5.The learned counsel for the respondent on the other hand would submit that the impugned proceedings initiated was under Section 73 of the respective GST Enactments and the limitation would have expired if it was passed belatedly. It is submitted that the petitioner should have filed the document to substantiate the defense along the reply dated 24.10.2025.

6.Having considered the submissions of the learned counsel for the petitioner and the learned counsel for the respondent, I am of the view that the petitioner should have filed a proper reply to substantiate the defense with supporting document. The respondent cannot be found fault as the respondent was bound by the time line under Section 73(2) r/w Section 73(9) of the GST Act, 2017.

7.Since the petitioner is liable to pay the amount confirmed vide impugned order insofar as Defect No.1, to balance the interest of the parties, I am inclined to remit the matter back to the respondent to pass fresh order insofar as Defect No.1 subject to the petitioner deposing 5% of the disputed tax as a condition for *denovo* adjudication.

8.The learned counsel for the petitioner has also made the following endorsement to that effect in the Court bundle which has been extracted hereunder:

> ***"The Petitioner is willing to pay 5% pf the Disputed Tax and prays that the Impugned Order be quashed".***

9. 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 5% 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.

10. Within such time, the Petitioner shall also file a reply to the Show Cause Notice in GST DRC-01 dated 26.09.2025 together with requisite documents to substantiate the case by treating the impugned Order dated 31.12.2025 as an addendum to the Show Cause Notice dated 26.09.2025

11. 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 three (3) 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.

12. It is made clear that bank attachment shall be lifted subject to the Petitioner depositing 5% 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.

13. 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.

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

15. This Writ Petition stands disposed of with the above observations. No costs. Connected Writ Miscellaneous Petitions are closed.

17-03-2026

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

To

The Assistant Commissioner (ST)
Saidapet Assessment circle No.230,
2nd floor, Integrated Registration and
Commercial Tax Building, Nandanam
Chennai-600 035.

C.SARAVANAN J.

kp

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