IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 08.01.2026

CORAM :

THE HONOURABLE MR.JUSTICE C.SARAVANAN

W.P.No.18058 of 2023

M/s.Parekh Integrated Services Pvt Ltd
Represented by Mr.Nurani Subramanian Sivan
117/3C, Padmavathi Garden,
Velapanchavadi,
Chennai – 600077. ... Petitioner

Vs.

1. The Superintendent of GST & CEX
Maduravoyal Range, Poonamallee Division,
Chennai Outer Commissionerate
Chennai – 600056.

2. The Commissioner of GST & CEX,
Chennai Outer Commissionerate
Newry towers, Anna Nagar,
Chennai-600040. ... Respondents

Prayer: Writ Petition filed under Article 226 of the Constitution of India, for issuance of a Writ of Certiorarified Mandamus, to call for the records in the proceeding in GST TRAN -1 Order No.3/2023-MDV-SUPDT dated 27.02.2023 issued by the Respondent No.1 and quash the same, directing the Respondent No.1 to consider the endorsed documents as valid document for availment of CGST.

For Petitioner : Mr.K.Senguttuvan
For Respondents : Mr.S.R.Sundar,
Senior Standing Counsel.

ORDER

This writ petition has been filed against the impugned order dated 27.02.2023 passed by the first respondent in GST TRAN-1 Order No.3/2023-MDV SUPDT, whereby the petitioner's claim for transitional credit for a sum of Rs.92,00,093/- has been partly rejected and only to the extent for a sum of Rs.8,79,624/- was allowed under Table 7(a) Part 7B in terms of Rule 117(4) of the CGST Rules read with the provisions of the CGST Act. Relevant portion of the impugned order dated 27.02.2023 reads as under:-

*"**12. FINDINGS:***

In view of the above, I have gone through the facts of the case, documents and evidence available on record and the reply submitted by the tax payer. I find that:-
12.1. In respect of transitional credit claimed in table 7(a) in Entry 7A credit amount of Rs.83,20,469/- on account of CGST is found inadmissible as the tax payer did not comply with Section 140(3), 140(4)(b) and 140(6) and 140(7) of CGST Act 2017 and has failed to submit the any duty paid documents in respect of the amount claimed.

Further, the Legal provisions in respect of transitional credit claimed under 7(a) in Entry 7A as per Circular No.182/14/2022-GST dated 10.11.2022 is given below:-

S.No.	Table No. in TRAN 1	Provision in CGST Act	Indicative list of nature of Credit
1	Col. 6 in Entry 7A in Table 7(a)	140(3), 140(4)(b), 140(6)and 140(7)	This table pertains to credit claim by new taxpayers or taxpayers who were either not registered or were not part of CENVAT Credit chain earlier. Here, Credit can be claimed in TRAN-1 in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day based on invoices/document evidencing payment of duty (including CTD), subject to fulfillment of other conditions specified in Section 140(3), 140(4)(b), 140(6) and 140(7) as the case may be.

Check 5: In cases where the credit is being shown by an assessee who was registered in Central Excise or Service on account of inputs relating to exempted goods, carefully check whether the assessee has followed the provisions of rule 6 of CENVAT Credit Rules in the period prior to GST. Case I: Only exempted goods/services were being manufactured or provided. Rule 6(2) of CENVAT Credit Rules did not allow any credit in the CENVAT register if only exempted goods were being manufactured. No credit can flow from return in relation to inputs in such cases. The entry in table 5(a) therefore should be NIL. The apportionment of credit on inputs and complete reversal

thereof under Rule 6 of CENVAT Credit Rules took place at the time of removal of goods. Therefore, in such cases only credit of inputs and inputs contained in semi-finished which existed in stock on the day of the transition and for which conditions prescribed in cl (i) to (v) of Section 140(3) are satisfied would be available. Where the stock shown is very high, verification using VAT return or any other collateral document where stocks are declared can be done.

Case II: Exempted and non-exempted goods/services were being manufactured or provided: Rule 6(3) of the CENVAT Credit Rules provided the procedure for apportionment of credit relating to taxable goods/services and reversal of credit relating to exempted goods/services. Credit in table 5(a) would flow from the return in such cases. It should be checked that the return reflects credit after application of rule 6(3) of CENVAT Credit Rules. The reversal in terms of rule 6(3) was required to be done at the time of removal of finished goods. Therefore, some credit in Table 7A can arise for such inputs which were in stock and which not attributed till the date of the transition to either exempted goods or non-exempted goods. To avail credit on such inputs, other conditions prescribed in cl (i) to (v) of Section 140(3) are required to be satisfied. Where the stock shown is very high, verification using VAT return or any other collateral document, where stocks were declared, can be done. 5.2: Check 6: In cases where a new taxpayer has availed credit using Credit Transfer Document, check that CTD issued by the manufacturer exists and CTD has been issued in terms of rule 15(2) of CCR, 2017 read with notification no.21/2017-CE (NT) dated 30.06.2017 (Capital Goods having value more than Rs.25,000, goods to be identifiable by a distinct number etc.) e.g.: Dealers of new car.

12.2. The documents submitted by the taxpayer with regard to transitional credit claimed in table 7(a) Entry 7B have been verified and found in order. Hence, the taxpayer is eligible for an amount of Rs.8,79,624/- for the transitional credit in table 7(a) Entry 7B as per Rule 117(4) of CGST Rules and Proviso to the Section 140(3).

Further, the Legal provisions in respect of transitional *credit claimed under 7(a) in Entry 7B as per Circular No.182/14/2022-GST dated 10.11.2022 is give below:-*

S.No.	*Table No. in TRAN – 1*	*Provision in CGST Act*	*Indicative list of nature of Credit*
1	*Col. 6 in Entry 7B in Table 7(a)*	*Proviso to Section 140(3) and Rule 117(4) of CGST Rules*	*This table pertains to credit claim by new taxpayers (e.g. traders) who were not manufacturers or service providers. Deemed credit @ 60% of Central Tax applicable where CGST is 9% or more and 40% where CGST is less than 9% can be availed. The provision applies where the assessee is not in possession of an invoice or any other documents evidencing payment of duty in respect of inputs only. [in this case the Electronic Credit Ledger gets populated through TRAN-2 and not through TRAN-1.]*

Accordingly, in view of the above, I pass the following Order:-

i) I deny the amount claimed under table 7(a) Part 7A for an amount of Rs.83,20,469/- on account of CGST under Section 140(3), 140(4)(b) and 140(6) and 140(7) of CGST Act, 2017.

ii) I allow the amount claimed under table 7(a) Part 7B for an amount of Rs.8,79,624/- on account of CGST as per Rule 117(4) of CGST Rules and Proviso to the Section 140(3).

2. The learned counsel for the petitioner submitted that pursuant to the directions issued by the Hon'ble Supreme Court in ***Union of India Vs Filco Trade Centre pvt Ltd., reported in [2022] 140 Taxmann.com 535 (SC),*** the petitioner had filed a revised TRAN-1 return on 24.11.2022. It is submitted by the learned counsel for the petitioner that thereafter, the first respondent issued a communication vide letter dated 08.02.2023 calling upon the petitioner to furnish certain documents.

3. It is submitted that subsequently, a Show Cause Notice dated 16.02.2023 was issued, calling upon the petitioner to submit its reply within 7 days from the date of issue of the said notice. However, even before the expiry of the time granted for submission of reply, the first respondent hastily passed the impugned order dated 27.02.2023, denying the transitional credit claimed by the petitioner.

4. The learned counsel would further contend that the impugned order has been passed in gross violation of the Principles of Natural Justice, as the petitioner was deprived of a reasonable opportunity to submit its reply/explanation along with the supporting documents to substantiate the case.

5. Per contra, the learned Standing Counsel appearing for the respondents would submit that the petitioner failed to substantiate the claim for transitional credit with necessary documents and therefore, the impugned order came to be passed in accordance with law.

6. This Court has considered the submissions made on either side and perused the materials on record.

7. On perusal of the records, it is seen that the petitioner had filed a revised TRAN-1 return on 24.11.2022 pursuant to the order of the Hon'ble Supreme Court in ***Union of India Vs Filco Trade Centre pvt Ltd.*** **referred to *supra.*** Thereafter, the first respondent issued a letter dated 08.02.2023 seeking certain documents, followed by the issuance of a Show Cause Notice dated 16.02.2023, calling upon the petitioner to submit its reply on or before 23.03.2023.

8. However, it is evident that even before the expiry of the time granted to the petitioner to submit its reply, the first respondent proceeded to pass the impugned order on 27.02.2023 denying a substantial portion of the

transitional credit claimed by the petitioner.

9. This Court finds that the impugned order has been passed in clear violation of the Principles of Natural Justice, as the petitioner was not afforded an effective opportunity to respond to the Show Cause Notice and was not heard before the impugned order came to be passed by the Respondent.

10. Therefore, the impugned order dated 27.02.2023 is liable to be quashed and the case is required to be remitted back to the respondents for fresh consideration on merits after hearing the petitioner.

11. Accordingly, the impugned order dated 27.02.2023 is quashed and the case is remitted back to the respondents to pass a fresh order on merits by ascertaining whether the petitioner was indeed eligible for the transitional credit claimed by the petitioner after hearing the petitioner. The petitioner is directed to submit a proper reply to the Show Cause Notice dated 16.02.2023 along with all supporting documents within a period of thirty (30) days from the date of receipt of a copy of this order.

12. Upon receipt of such reply, the respondents shall consider the reply and proceed to pass fresh orders on merits and in accordance with law, as expeditiously as possible.

13. This writ petition is disposed of with the above observations. No costs.

08.01.2026

Neutral Citation: Yes / No
kmm

To:

1. The Superintendent of GST & CEX
Maduravoyal Range, Poonamallee Division,
Chennai Outer Commissionerate
Chennai – 600056.

2. The Commissioner of GST & CEX,
Chennai Outer Commissionerate
Newry towers, Anna Nagar,
Chennai-600040.

C.SARAVANAN, J.

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