GSTAT

State Bench Ghaziabad

Division Bench Court No. Court I

Filing No 2026109301000101

JAY PRAKASH MAURYA **.....Appellant**

Versus

EPPCON LUBRICANTS INDIA LIMITED, DIRECTOR, 26/1 ST NO-13 1ST FLOOR 26/1 ST NO-13 PANDAV ROAD NEW DELHI NEW VISHWAS NAGAR DLSHA 110032 RAIN BASERA **.....Respondent**

Quorum

Hon'ble Dr. Sanjay Kumar Chandhariyavi, Member(Judicial)
Hon'ble Sungita Sharma, Member (Technical)

Counsel for Appellant **Counsel for Respondent**

ORDER

1 Preliminary

The case record shows that the State Tax Department has filed this appeal seeking restoration of the demand for input tax credit (ITC) of Rs. 49,110, with interest and penalty. The first appellate authority had allowed the taxpayer's appeal and set aside the demand. According to the Department, the taxpayer claimed and used ITC of Rs. 49,110, consisting of CGST of Rs. 24,555 and SGST of Rs. 24,555, on purchases worth Rs. 2,72,838 from M/s Petrosol India, GSTIN 09AMSPG3783G1ZK. The Department states that a search of the supplier's premises on 15 March 2022 revealed that the supplier was issuing invoices without supplying goods. A show cause notice was issued on 29 March 2022 under Section 74 read with Section 122. On 21 June 2024, the adjudicating authority confirmed the ITC demand, with interest and penalty. The taxpayer filed an appeal on 27 July 2024, which the first appellate authority allowed. The Department now seeks to set aside or modify that appellate order and restore recovery of ITC of Rs. 49,110, with an equal penalty of Rs. 49,110 under Section 74. It also seeks interest at 18% per annum under Section 50(3), from the date the ITC was used until payment or reversal, and any other appropriate relief.

2. We have heard the learned Authorised Representative and examined the appeal memorandum, the order under challenge and the material on record. Admission of an appeal is not a mere formality. Before examining the merits, the Tribunal must be satisfied that the appeal is maintainable and meets the conditions for admission. Filing an appeal does not automatically give the appellant a right to a hearing on the merits. The right of appeal comes from the statute and must be exercised according to the conditions laid down by law.

In *Ganga Bai v. Vijay Kumar*, (1974) 2 SCC 393, the Supreme Court explained the difference between a suit and an appeal. A civil suit can ordinarily be filed unless the law bars it. An appeal, however, can be filed only when the statute clearly permits it.

In *Anant Mills Company Ltd. v. State of Gujarat*, (1975) 2 SCC 175, the Supreme Court recognised that the legislature may impose conditions on the right of appeal. Those conditions must not be so burdensome that the right becomes practically meaningless.

3 The question at the admission stage

This is admittedly a departmental appeal. The first question is whether the Department has met the statutory and administrative conditions for filing it. The fact that the Department is dissatisfied with the order does not, by itself, answer this question.

Section 120 of the Uttar Pradesh Goods and Services Tax Act, 2017, has the heading "Appeal not to be filed in certain cases". Section 120(1) provides: (1) The Commissioner

may, on the recommendations of the Council, from time to time, issue orders or instructions or directions fixing such monetary limits, as he may deem fit, for the purposes of regulating the filing of appeal or application by the officer of the State tax under the provisions of this Chapter." Under this provision, the Commissioner, State Tax, Uttar Pradesh, issued Circular No. 2425008 dated 05.07.2024. It prescribes a monetary limit of Rs. 20,00,000 for departmental appeals before GSTAT, subject to specified exceptions. It aims to reduce government litigation and use judicial resources properly.

The State continued its litigation-management policy through Circular No. 252/2026-27/State Tax dated 22.05.2026. This circular concerns monetary limits, review of departmental appeals and litigation before GSTAT and the higher constitutional courts. The monetary-limit policy therefore cannot be treated as having been abandoned.

4 Issues for determination

(i) Does the monetary limit of Rs. 20,00,000 apply to this departmental appeal?

(ii) Is the disputed amount, calculated as required by the circular, below that limit?

(iii) If it is, has the Revenue specifically pleaded and proved that a recognised exception applies?

(iv) Is a statement that the Commissioner approved or authorised the appeal enough to establish an exception?

(v) Does filing and pursuing the appeal without establishing an exception breach the binding litigation policy?

(vi) What is the effect of this failure at the admission stage?

(vii) Can the appeal be admitted and heard on the merits?

5 Calculation of the disputed amount

The circular lays down the following method for applying the monetary limit:

(i) Where tax is disputed, whether or not interest or penalty is also disputed, only the total disputed tax is counted. This includes CGST, SGST or UTGST, IGST and Compensation Cess.

(ii) Where only interest is disputed, the disputed interest is counted.

(iii) Where only penalty is disputed, the disputed penalty is counted.

(iv) Where only late fee is disputed, the disputed late fee is counted.

(v) Where interest, penalty and/or late fee are disputed, but no tax is disputed, their total disputed amount is counted.

(vi) Where an erroneous refund is disputed, the disputed refund amount is counted, including the relevant tax and Compensation Cess components.

(vii) The limit applies to the disputed amount for which the appeal or application is proposed.

(viii) Where one composite order decides more than one appeal or demand notice, the relevant amounts are added together. The limit is not applied separately to each appeal or demand notice.

Thus, where a demand includes tax, interest and penalty, only the disputed tax and cess are counted for this purpose. Interest and penalty are not added. If the amount calculated in this way is below Rs. 20,00,000, the monetary restriction applies unless a recognised exception is established. In this case, the disputed tax demand is Rs. 49,110, with interest and penalty. The tax amount is clearly below Rs. 20,00,000. We therefore find that the monetary restriction applies to this appeal.

6 Exceptions to the monetary limit

An amount below the monetary limit does not end the enquiry. Clause 4 of the circular allows departmental litigation, regardless of the amount involved, in the following circumstances:

(i) A provision of the CGST Act, UPGST Act, IGST Act or GST (Compensation to States) Act has been held unconstitutional.

(ii) A rule or regulation made under any of these Acts has been held to go beyond the powers given by the parent Act.

(iii) An order, notification, instruction or circular issued by the Government or the Board has been held contrary to the relevant GST Act or Rules.

(iv) The matter concerns valuation, classification, refunds, place of supply or another issue that recurs and/or involves interpretation of the Act, Rules, notification, circular, order or

instruction.

(v) Strictures or adverse comments have been made, and/or costs have been imposed, against the Government, the Department or its officers.

(vi) The Commissioner considers it necessary to contest a case or a class of cases in the interest of justice or revenue.

7 Responsibility to establish an exception

An exception cannot be assumed merely because the Department wishes to pursue an appeal. The party relying on an exception must show that it applies. Once the disputed amount is shown to be below Rs. 20,00,000, the Revenue must identify the exception, state the supporting facts and show the statutory or administrative basis for invoking it. If the Revenue relies on the Commissioner's residual power to contest a matter in the interest of justice or revenue, it must produce the order or recorded opinion showing that the Commissioner exercised that power in this particular case. These matters cannot be left to assumption. Merely stating that the Commissioner permitted the appeal is not enough.

8 Authorisation and compliance with the monetary limit

Permission to file an appeal and compliance with the conditions governing that appeal are separate matters. An authorisation to file an appeal does not, by itself, establish an exception to the monetary limit. Section 112(3) of the UPGST Act, 2017, provides: "(3) The Commissioner may, on his own motion, or upon request from the Commissioner of central tax, call for and examine the record of any order passed by the Appellate Authority or the Revisional Authority under this Act or under the Central Goods and Services Tax Act, 2017 for the purpose of satisfying himself as to the legality or propriety of the said order and may, by order, direct any officer subordinate to him to apply to the Appellate Tribunal within six months from the date on which the said order has been passed or the date, as may be notified by the Government, on the recommendations of the Council, for the purpose of filing application before the Appellate Tribunal under this Act, whichever is later, for determination of such points arising out of the said order as may be specified by the Commissioner in his order." The Commissioner must examine the record, form an opinion on whether the order is legal or proper, and identify the points to be placed before the Tribunal. The record must allow the Tribunal to examine the basis of that decision. Merely stating that the Commissioner granted permission does not meet this requirement.

Section 112(4) further provides: "(4) Where in pursuance of an order under sub-section (3) the authorised officer makes an application to the Appellate Tribunal, such application shall

be dealt with by the Appellate Tribunal as if it were an appeal made against the order under sub-section (11) of section 107 or under sub-section (1) of section 108 and the provisions of this Act shall apply to such application, as they apply in relation to appeals filed under sub-section (1).” An application authorised under Section 112(3) is therefore treated as an appeal under the Act. That authorisation does not remove the need to comply with Section 120 or the monetary-limit instructions issued under it. If the residual exception is relied on, the record must show that the Commissioner considered this particular case and formed the opinion that it should be contested despite the monetary limit. The basis of that opinion must be clear. General approval is not enough. Otherwise, every appeal below the limit could proceed on routine authorisation, defeating the policy.

9 Continuing litigation policy of Uttar Pradesh

Circular No. 252/2026-27/State Tax dated 22.05.2026 provides a review process through Zonal Law Committees. It continues the policy of restricting departmental litigation by monetary limits, subject to specified exceptions. The Department must follow this policy consistently. It cannot treat the policy as binding when it helps the Department and optional when it restricts an appeal. The State is expected to litigate responsibly and follow its declared policy. In *Director of Income Tax v. S.R.M.B. Dairy Farming (P) Ltd.*, the Supreme Court recognised the need to reduce unnecessary government litigation and repeated proceedings at different judicial levels.

10 Binding effect of departmental circulars

The Department cannot rely on a statutory mechanism for controlling litigation when it suits it and ignore that mechanism merely because an order is against it. In *Ranadey Micronutrients v. Collector of Central Excise*, (1996) 10 SCC 387, the Supreme Court stressed the need for consistency and discipline in following departmental circulars. It held that the Revenue could not reject the Board’s circular on the ground that it was inconsistent with a statutory provision. Principles applied under similar revenue laws also support the conclusion that instructions issued by the competent revenue authority to regulate departmental appeals bind departmental officers.

11 The right of appeal and its conditions

The Revenue may argue that Section 112 gives it a statutory right of appeal and that an appeal directed by the Commissioner must be admitted. We cannot accept this as an absolute rule. Section 112 must be read with the provisions governing departmental litigation, including Section 120. As explained in Ganga Bai and Anant Mills, the right of appeal is

created by statute and may be subject to conditions. The Tribunal's power to hear appeals does not require it to admit every departmental appeal without checking whether those conditions have been met.

12 Whether an exception is established in this case

We have examined the record and FORM GST APL-07. The appellant states that the appeal has been filed under Section 112(3) of the UPGST Act. However, the Revenue has neither specifically pleaded nor established any recognised exception to the monetary limit. There is no material showing that a provision of the relevant GST Acts has been held unconstitutional, that a rule has been held contrary to its parent Act, or that a notification, circular or instruction has been held invalid. The Revenue has also not shown that the case involves a recurring question of law requiring an authoritative decision, or that adverse comments or costs have been imposed against the Department. Nor is there a recorded opinion of the Commissioner showing that this particular case should be contested in the interest of justice or revenue despite the monetary limit. We therefore find that the Revenue has failed to establish an applicable exception.

13 Effect of the monetary limit

The right of appeal must be exercised within the statutory framework. In *State of Maharashtra v. Greatship (India) Ltd.*, the Supreme Court reiterated that an appeal is created by statute. The Department's right of appeal is therefore subject to the conditions and regulatory provisions of that framework. In *Commissioner of Commercial Tax v. Vikram Cement*, decided on 5 February 2026, the Supreme Court considered the Rs. 20 lakh GST monetary limit and held that the circular also applied to pending appeals. Appeals involving a tax component below the prescribed limit were dismissed, while the legal question was left open for an appropriate case. In *Director of Income Tax v. S.R.M.B. Dairy Farming (P) Ltd.* , the Supreme Court noted that repeated government litigation adds to the growing number of pending cases. It referred to the National Litigation Policy and the need to obtain decisions on meaningful issues, instead of pursuing several levels of judicial scrutiny merely for their own sake. In *Commissioner of Customs, New Delhi v. Balaji Overseas*, the Supreme Court also disposed of the appeals on the ground of low tax effect, considering the applicable monetary limit. The disputed amount in those appeals was Rs. 1,28,73,481.

Tax law is part of public law. The State has wide powers to collect taxes, but it must exercise those powers according to law. The same applies when the State litigates. An appeal is not an unrestricted way to challenge every adverse order. The amount of revenue, the legal importance of the issue, the public interest, litigation costs and the need for an authoritative

decision must all be considered. The Rs. 20 lakh limit does not mean that smaller demands have no legal importance. It reflects the policy that public resources should ordinarily be saved by avoiding departmental appeals below that amount, unless a specified exception applies.

14 Maintainability must be decided before the merits

The Revenue has asked us to consider the merits of the dispute. We decline to do so because maintainability must be decided first. The Tribunal cannot decide the merits and only then examine whether the appeal met the conditions for admission. Even an arguable case on the merits does not, by itself, overcome the binding monetary-limit policy.

15 Public interest and responsible litigation

Government litigation uses judicial time, departmental resources and public money. It also takes up the time of officers and taxpayers and uses the Tribunal's limited capacity. The monetary-limit policy aims to ensure that the State litigates where the amount involved, the legal importance, the recurring nature of the issue, the public interest or a recognised exception justifies it. The statutory scheme also ensures that the Revenue is not treated as accepting a disputed legal position merely because it does not appeal under this policy. Section 120(2) and (3) of the UPGST Act provide: "(2) Where, in pursuance of the orders or instructions or directions issued under sub-section (1), the officer of the State tax has not filed an appeal or application against any decision or order passed under the provisions of this Act, it shall not preclude such officer of the State tax from filing appeal or application in any other case involving the same or similar issues or questions of law." "(3) Notwithstanding the fact that no appeal or application has been filed by the officer of the State tax pursuant to the orders or instructions or directions issued under sub-section (1), no person, being a party in appeal or application shall contend that the officer of the State tax has acquiesced in the decision on the disputed issue by not filing an appeal or application." Section 120(4) further provides: "(4) The Appellate Tribunal or court hearing such appeal or application shall have regard to the circumstances under which appeal or application was not filed by the officer of the State tax in pursuance of the orders or instructions or directions issued under sub-section (1)."

16 Findings

(i) This is a departmental appeal governed by the monetary-limit policy for departmental litigation. The disputed tax demand is Rs. 49,110, which is below Rs. 20,00,000. The Revenue has failed to establish any recognised exception. There is no material showing that

the Commissioner specifically exercised the residual power, with reasons relating to this case, to bring the appeal within an exception. Merely stating that the Commissioner approved or authorised the appeal does not satisfy the statutory requirements and the binding litigation policy. The appeal therefore cannot be admitted for a decision on the merits.

Order

17. For the reasons given above, we hold that this departmental appeal concerns a disputed tax demand of Rs. 49,110, which is below the prescribed monetary limit of Rs. 20,00,000. The Revenue has failed to establish any recognised exception. The appeal therefore does not meet the conditions for admission and maintainability before this Tribunal. Accordingly, the appeal is dismissed at the threshold because the disputed amount is below the prescribed monetary limit and the Revenue has failed to establish an applicable exception.

We have not examined or decided the merits of the tax dispute. Nothing in this order approves or rejects the correctness of the first appellate order on the merits. This dismissal is confined to the maintainability of the departmental appeal under the applicable monetary-limit policy.

The appeal is disposed of accordingly. The Registrar shall supply a copy of this order to the appellant.

Pronounced in open Tribunal proceedings.

(Dr. Sanjay Kumar Chandhariyavi)

(Sungita Sharma)

Dated: 15.10.2026