



MAJESTY LEGAL

Advocates & Solicitors

SUPREME COURT: - BURDEN OF PROVING GENUINENESS OF INPUT TAX CREDIT IS ON THE RECIPIENT

(STATE OF KARNATAKA v. M/S ESCOM COFFEE TRADING¹)

The Hon'ble Supreme Court has held that the burden of proving the genuineness of input tax credit (ITC) claimed is on the purchasing dealer. Additionally, in the case of non-payment of tax by the seller, the burden of proof of payment made to the supplier / purchase invoice as well as basic details² of seller, is on the purchasing dealer.

HIGHLIGHTS OF THE CASE:

- In this case, M./s Ecom-Purchasing dealer, purchased green coffee beans from other dealers in furtherance of sale via export and in domestic market. The Assessing Officer issued a notice under section 39³, upon finding some irregularities in ITR⁴ claimed by the purchasing dealer, for seeking furnishing of accounts, tax invoices etc.
- The above ruling reinforces the importance of maintenance of proper records and documents in support of purchases. Every copy of e-way bills, transporter receipts should be maintained along with purchase invoices because these supporting documents will be helpful in proving the genuineness of ITC⁵ claimed. For the taxpayer, the above ruling provides a hope in the case of non-payment of tax by the selling dealer, as ITC shall be allowed to the purchaser of goods.

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¹ Civil Appeal No. 230 of 2023

² Such as name, address of selling dealer vehicle details that deliver the goods and acknowledgement for the same.

³ Re-assessment of Tax- The Karnataka Value Added Tax Act, 2003

⁴ Input Tax Rebate.

⁵ Input Tax Credit.

⁶ Majesty legal is a LAW FIRM established in 2013 by Ms. MahiYadav. Objective of the above highlights is to provide insights on law, statutes and dispensation in nature, not to be deemed as legal advice.