

GST errors can be fixed after deadline: SC

Rejects CBIC's plea; says denying input tax credit due to human errors leads to double taxation

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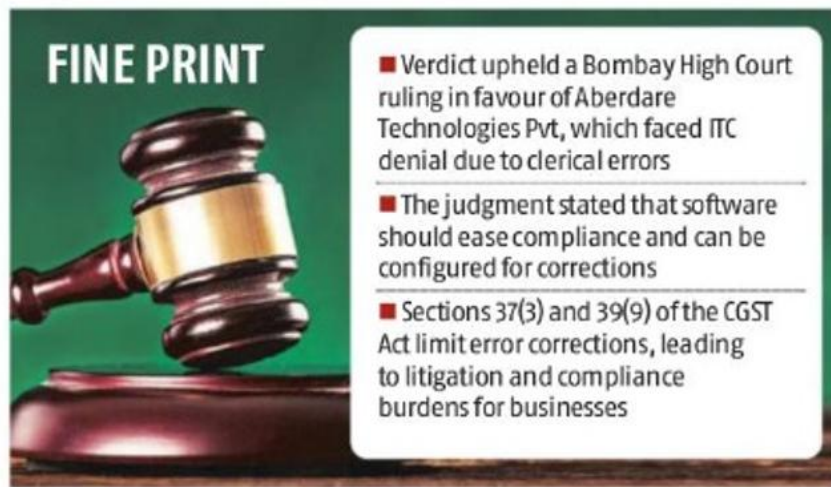
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In a significant judgment that could ease goods and services tax (GST) compliance for businesses, the Supreme Court has dismissed a special leave petition (SLP) by the Central Board of Indirect Taxes and Customs (CBIC), allowing companies to rectify clerical errors in tax filings even after the deadline, provided there is no loss of revenue.

The apex court last week upheld the Bombay High Court's judgment in favour of Aberdare Technologies Pvt Ltd, stating that human errors are normal and must not lead to denial of input tax credit (ITC). It ruled that "the right to correct mistakes in the nature of clerical or arithmetical errors flows from the right to do business and

should not be denied unless there is a good justification". The Supreme Court further emphasised that denying ITC due to human errors results in unfair double taxation, where businesses end up paying tax twice. It also ruled that "software limitation itself cannot be a good justification, as software are meant to ease compliance and can be configured".

Aberdare Technologies had filed its GST returns on time but later discovered clerical errors in December 2023. As per the Central Goods and Services Act, 2017, such errors could only be corrected until November 30 of every year. Since the deadline had passed, tax authorities rejected the firm's rectification request, citing strict legal timelines. The HC ruled in favour of the company, stating that there was no revenue loss and businesses should



not be penalised for technical lapses. The court directed tax authorities to either open the GST portal for corrections or allow manual rectifications.

- Verdict upheld a Bombay High Court ruling in favour of Aberdare Technologies Pvt, which faced ITC denial due to clerical errors
- The judgment stated that software should ease compliance and can be configured for corrections
- Sections 37(3) and 39(9) of the CGST Act limit error corrections, leading to litigation and compliance burdens for businesses

According to Sivakumar Ramjee, executive director-indirect tax, Nangia Andersen LLP, ITC denial due to clerical or technical errors in GST filings has

long been a contentious issue between businesses and tax authorities.

"Tax authorities have been taking a rigid stance, often citing statutory limitations under Sections 37(3) and 39(9) of the CGST Act, which prescribe time limits for rectifying errors in GST filings. This has resulted in genuine claims being disallowed, leading to prolonged litigation and uncertainty for businesses — basically, an accountant's worst nightmare," Ramjee said.

Tax experts believe the ruling strengthens the ability of businesses to challenge unjust credit denials. "By upholding the correction of bona fide GST errors — especially where no revenue loss occurs — the court has reinforced the principle that compliance should be practical, not punitive. The decision brings much tax certainty and protection of taxpayer rights in bona fide cases," said Saurabh Agarwal, tax partner at EY India.

Allow firms to rectify bonafide errors in GST without penalty: SC

CONFIDENCE BOOST. Order relates to issue of Input Tax Credit denied due to clerical and technical errors

Shishir Sinha
New Delhi

The Supreme Court has directed the Central Board of Indirect Taxes and Customs (CBIC) to re-examine the provisions relating to correcting errors in tax returns. Experts say that such a ruling reinforces the principle that buyers should not be penalised for the errors of their suppliers.

Dismissing a special leave petition filed by the CBIC against a ruling by the Bombay High Court in the matter of *Aberdare Technologies and Others*, a division bench of Chief Justice Sanjiv Khanna and Justice Sanjay Kumar said human errors and mistakes are normal, and errors are also made by the revenue (Tax Department).

ALLOWING TIME

The “right to correct mistakes in the nature of clerical

or arithmetical error is a right that flows from right to do business and should not be denied unless there is a good justification and reason to deny benefit of correction,” the verdict said.

Further, software limitation itself cannot be a good justification, as software is meant to ease compliance and could be configured. Therefore, “we exercise our discretion and dismiss the special leave petition,” the bench said while asking the CBIC to re-examine the provisions/timelines fixed for correcting bonafide errors.

“Time lines should be realistic as lapse/defect invariably is realised when input tax credit is denied to the purchaser when benefit of tax paid is denied. Purchaser is not at fault, having paid the tax amount. He suffers because he is denied benefit of tax paid by him. Consequently, he has to make double payment,” it said.



HUMANE VIEW. “The right to correct mistakes in the nature of clerical or arithmetical error is a right that flows from right to do business and should not be denied” SHASHI SHEKHAR KASHYAP

The matter involves the contentious issue of Input Tax Credit (ITC) denied due to clerical or technical errors in GST filings. Under the Central Goods and Services Tax (CGST) Act, 2017, buyers claim ITC based on tax invoices issued by suppliers, which must be reflected correctly in the GST returns.

However, instances where suppliers inadvertently fail to file correct returns or make clerical errors have led

to the denial of ITC claims to buyers, resulting in financial and compliance burdens.

INFLEXIBLE VIEW

According to experts, the tax authorities have been taking a rigid stance, often citing statutory limitations under Sections 37(3) and 39(9) of the CGST Act, which prescribe time limits for rectifying errors in GST filings. This has resulted in genuine claims being disallowed,

leading to prolonged litigation and uncertainty for businesses — basically, an accountant’s worst nightmare.

Listing the implications of the SC ruling, Sivakumar Ramjee, Executive Director-Indirect Tax at Nangia Anderson, said it reinforces the principle that buyers should not be penalised for the errors of their suppliers. This ensures greater confidence in the ITC system.

Terming the ruling “crisp and potent”, Harpreet Singh, Partner at Deloitte, said it reaffirmed the basic principle of substantive benefits not being denied on account of any procedural lapses.

“With increased use of tax technology for undertaking compliances, the apex court has rightly observed that software/technology should be viewed more as an enabler rather than acting as a limiting factor for availing any benefits,” he said.

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Supreme Court upholds buyers can correct clerical errors in GST filings without penalty, claim ITC

Says CBIC must re-examine timelines fixed for correcting the bonafide errors

Sivakumar Ramjee, Executive Director- Indirect Tax, Nangia Andersen said the Supreme Court decision reinforces the importance of a balanced and taxpayer-friendly GST system. "As businesses await further clarifications from CBIC, they can take comfort in the fact that genuine tax errors should not lead to undue financial hardship—or at least, not more than necessary. The upcoming response from CBIC will be crucial in determining the long-term impact of this ruling on GST compliance and tax dispute resolution in India," he said.