

Responsibility of purchaser limited to verify GST registration of seller on GST Portal

The Hon'ble Andhra Pradesh High Court in *M/s Arhaan Ferrous and Non-Ferrous Solutions Pvt. Ltd. v. Deputy Assistant Commissioner [Writ Petition No. 15481 of 2023 dated August 03, 2023]* held that, the assessee is responsible only to the extent of establishing that he bonafidely purchased goods from the supplier for valuable consideration after verifying the GST registration of the said supplier on the GST portal.

Facts:

M/s. Arhaan Ferrous and Non-Ferrous Solutions Pvt. Ltd. (**"the Petitioner"**) is a trader in iron scrap and Mr. T. Srinivasulu (**"the Transporter"**) is owner of vehicle in which the Petitioner transported iron scrap.

The Petitioner purchased the iron scrap (**"the Goods"**) from M/s. K.S. Enterprises (**"the Supplier"**) located in Vijaywada and further sold the same to M/s Radha Smelters Private Limited (**"the Buyer"**) located in Sankarampet under valid invoice number.

The Petitioner engaged the transporter for transporting the goods from Vijayawada to Sankarampet accompanied with valid documents such as invoice, way bill, weighment slip etc.

The Revenue Department (**"the Respondent"**) detained the goods in transit on the allegation that the supplier has no place of business at Vijayawada and initiated the proceedings against the Supplier under Section 130 of the Central Goods and Services Tax Act, 2017 (**"the CGST Act"**).

The Petitioner contended that the Respondent has deliberately ignored the documents produced at the time of check which shows that the Petitioner was the owner of the goods. As per Section 129 of the CGST Act the action can be initiated against the person who is transporting goods, which is in the present case is the Petitioner.

Instead of issuing proceedings in the name of the Petitioner, the Respondent has issued notice against the Supplier who has no interest in the matter after selling the consignment for valuable consideration to the Petitioner.

Further contended that, under the GST law there is no requirement that the Petitioner has to verify whether the Supplier has any registered place of business at Vijayawada. The Petitioner has duly verified the GST registration of the supplier and has paid the consideration through bank account. However, the suspicion against the genuineness of a registration of the Supplier entertained by the Respondent has no bearing with the transaction entered into by the Petitioner with the Supplier.

Issue:

Whether the Revenue Department can confiscate the goods of the assessee basing on the proceedings initiated against the supplier of the assessee?

Held:

The Hon'ble Andhra Pradesh High Court ***Writ Petition No.15481 of 2023*** in held as under:

- Opined that, it is clear that the proceedings for detention of goods can be initiated while the goods are in transit in contravention of provisions of the CGST Act. In the instant case, the Respondent may initiate proceedings against the Supplier under Section 130 of the CGST Act in view of his absence in the given address and not holding any business premises at provided address. However, the Respondent cannot confiscate the goods of the Petitioner merely on the ground that the Petitioner happen to purchase goods from the said Supplier.
- Noted that, the claim made by the Petitioner of purchase of goods is highly doubtful as the physical existence of the said supplier is questioned. Thus, the Respondent can

- initiate proceedings under Section 129 of the CGST Act against the Petitioner and conduct enquiry by giving opportunity to the Petitioner to establish their case.
- Held that, the Respondent will release the detained goods in favour of the Petitioner on deposit of 25% of the value of goods and execute a bond for the balance and shall also release the vehicles in favour of the transporter.
 - Further held that, the Petitioner's responsibility will be limited to the extent of establishing that he bonafidely purchased goods from the Supplier for valuable consideration after verifying the GST registration of the said supplier on the GST portal.

To know more watch our video on 'Responsibility of purchaser limited to verify GST registration of seller on GST portal' || Adv (CA) Bimal Jain at <https://www.youtube.com/watch?v=SLk2x2YE1FI>

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