

HC - ITC under the Goods and Services Tax (GST) regime cannot be denied, due to clerical errors in supplier Invoice.

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REFER THE DECISION OF THE HON'BLE DELHI HIGH COURT IN THE CASE OF

B. Braun Medical India Pvt. Ltd. V/s Union of India, decided in March 2025

Case Background:

B Braun Medical India Pvt. Ltd., engaged in the sale of pharmaceutical products and medical devices, purchased goods from M/s Ahlcon Parenterals (India) Ltd. The invoices issued by Ahlcon mistakenly reflected B Braun's Mumbai GSTIN and address instead of the correct Delhi GSTIN.

The tax authorities denied the ITC claim, citing the mismatch in GSTIN and address, and issued a demand order amounting to ₹5.65 crore.

Legal Issues:

1. **Validity of ITC Denial Due to Clerical Errors:** Whether minor clerical errors, such as incorrect GSTIN or address on invoices, justify the denial of ITC when the transaction is genuine.
2. **Interpretation of Section 16(2)(aa) of the CGST Act, 2017:** Whether the conditions stipulated under this section were met despite the clerical errors.

Court's Findings:

- **Genuineness of Transactions:** The court noted that the transactions were genuine, the petitioner was correctly named on the invoices, and no other entity claimed ITC on these transactions.
- **Clerical Errors by Supplier:** The errors in GSTIN and address were inadvertent mistakes by the supplier and not attributable to the petitioner.
- **Substance Over Form:** Emphasizing the principle that substantive rights should not be denied due to procedural lapses, the court held that minor clerical errors should not lead to the denial of ITC.
- **Setting Aside the Demand Order:** The court quashed the demand order and allowed the petitioner to rectify the invoices to reflect the correct GSTIN and address.

Implications:

- **Relief for Taxpayers:** This judgment provides relief to businesses facing ITC denial due to minor clerical errors, reinforcing those genuine transactions should not be penalized for procedural mistakes.
- **Guidance for Tax Authorities:** The ruling advises tax authorities to focus on the authenticity of transactions rather than strict adherence to procedural formalities.
- **Precedent for Future Cases:** This decision sets a precedent that may influence similar cases where ITC claims are rejected based on minor technicalities.

Conclusion:

The Delhi High Court's decision underscores the importance of a pragmatic approach in tax administration, where genuine transactions are not invalidated due to minor clerical errors. It reinforces the principle that the substance of a transaction should take precedence over form, ensuring fairness and justice in the application of tax laws.

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