BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

DATED : 28.07.2026

CORAM

THE HON'BLE MR.JUSTICE C.SARAVANAN

W.P.(MD) No.8200 of 2026
and
W.M.P.(MD) Nos.6686, 6687 & 15852 of 2025

Tvl. City Union Bank Limited,
Represented by its Executive Director,
V.Ramesh,
No.24-B, Narayana Gandhi Nagar,
Sri Nagar Colony, Kumbakonam,
Thanjavur, Tamil Nadu - 612 001. ... Petitioner

Vs.

1.The Commercial Tax Officer,
Kumbakonam (Town),
Thanjavur, Thiruvarur,
Tamil Nadu - 612 001.

2.The Assistant Commissioner (ST) (FAC),
Kumbakonam (Town) Assessment Circle,
Anna Nagar, Kumbakonam,
Tamil Nadu - 612 001. ... Respondents

Prayer : Writ Petition filed under Article 226 of the Constitution of India, for issuance of a Writ of Certiorari to call for the records in impugned order bearing reference No.ZD3312254648301 dated 31.12.2025 for the financial year 2021-2022 on the file of the first respondent, along with detailed order No.GSTIN 33AAACC1287E2Z3/2021-22 dated

31.12.2025 issued under Section 73 of the CGST Act on the file of the second respondent and quash the same.

For Petitioner : Mr.R.Sandeep Bagmar

For Respondents : Mr.R.Parthiban
Counsel for Government of Tamilnadu

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ORDER

The petitioner is before this Court challenging the impugned order dated 31.12.2025, whereby the proposal in the Show Cause Notice in Form GST DRC-01 dated 29.09.2025 for the tax period 2021-2022 has been confirmed.

2. The petitioner is a banking company within the meaning of the Banking Regulation Act, 1949 and is governed by the regulations issued by the Reserve Bank of India. It appears that in the course of its business operations, the petitioner extended bank guarantees to its customers. On the commission received by the petitioner for issuing such bank guarantees, the petitioner has discharged GST under Section 7 of the GST Act read with Schedule I to the GST Act.

3. The Department, however, entertained a doubt that the bank guarantees issued by the petitioner were, indeed, corporate guarantees and therefore, the petitioner was liable to pay GST on 1% of the total value of the bank guarantees and that the petitioner had suppressed the taxable value in GSTR-1 and consequently paid lesser GST in its monthly returns filed in Form GSTR-3B.

4. The records reveal that the petitioner was issued with an intimation under Rule 142(1A) of the Goods and Services Tax Rules, 2017, in Form GST DRC-01A (Part A) on 22.09.2025, to which the petitioner submitted a reply in Form GST DRC-01A (Part B) on 27.09.2025. Not being satisfied with the reply submitted by the petitioner, the respondents issued a Show Cause Notice in Form GST DRC-01 under Section 73 of the GST Act on 29.09.2025, to which the petitioner also submitted a reply enclosing certain documents to substantiate its stand that it had not provided any corporate guarantee. The petitioner has taken a categorical stand in its replies in Form GST DRC-01 and in Form GST DRC-06 dated 29.10.2025 and 30.12.2025, respectively.

5. It is the specific case of the petitioner that sub-rule (2) of Rule 28 of the Goods and Services Tax Rules, 2017, inserted by Notification No.52/2023-Central Tax dated 26.10.2023 [G.S.R. 798(E)] with effect from 26.10.2023, is not attracted, as the petitioner has no related persons and has not provided any corporate guarantee to any banking company or financial institution on behalf of the recipient. Therefore, according to the petitioner, there was no suppression of the taxable value in GSTR-1, GSTR-3B or in the annual reconciliation statement in Form GSTR-9C.

6. On the other hand, the learned counsel for the Government of Tamil Nadu, appearing for the respondents, would submit that the petitioner has failed to substantiate its stand by producing the relevant records and has merely furnished a tabulation, which is not sufficient and therefore, the impugned order came to be passed confirming the demand proposed in the Show Cause Notice in Form GST DRC-01 dated 29.09.2025.

7. I have considered the arguments advanced by the learned counsel for the petitioner and the learned counsel for the Government of Tamil Nadu appearing for the respondents.

8. After the self-assessment return was filed by the petitioner under Section 59 of the respective GST Enactments, the respondents were required to undertake scrutiny of the self-assessment return under Section 61 of the respective GST Enactments. In the course of such scrutiny, it was open to the respondents to invoke the machinery prescribed under Sections 65, 66 and 67 of the respective GST Enactments. Instead of undertaking the aforesaid exercise to ascertain as to whether there was indeed any leakage of revenue on account of the transactions, the respondents have straightaway proceeded to issue a Show Cause Notice in Form GST DRC-01.

9. In my view, the exercise undertaken hitherto is unsustainable and therefore, the impugned order is liable to be quashed. Under these circumstances, I am inclined to remit the case back to the respondents to conduct an inspection or investigation under Section 67 of the respective GST Enactments and thereafter determine as to whether there was any leakage of revenue on account of the guarantees extended by the petitioner to its customers.

10. Needless to state, the period commencing from the intimation dated 22.09.2025 till the date of the impugned order and thereafter till the date of receipt of a copy of this order shall stand excluded for the purpose of computing the period of limitation under Section 73 of the Act.

11. It is open for the petitioner to further substantiate its case if the respondents decide to issue a notice under Section 73 of the Act. Till such time, all recovery proceedings shall be kept in abeyance. It is also made clear that the entire exercise shall be completed within a period of six months from the date of receipt of a copy of this order.

12. With the above observations, this Writ Petition stands disposed of. There shall be no order as to costs. Consequently, the connected Miscellaneous Petitions are closed.

28.07.2026

JEN
NCC : Yes / No
Index : Yes / No

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C.SARAVANAN, J.

JEN

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