Noordeen Enterprises & MNS Enterprises vs. Additional Director General, DGGI & Additional Commissioner of CGST, South Commissionerate

Validity of letters issued by DGGI to customers of the petitioner-taxpayers, directing those customers to remit amounts payable to the petitioners directly to the GST authorities — issued at a stage when no order-in-original determining tax liability ha

Date of Order: June 3, 2026
Case Law No: GIB-MHC-2026-54
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

BACKGROUND

The petitioners are suppliers of goods. During the course of investigation by the Directorate of GST Intelligence (DGGI), Chennai Zonal Unit, letters were issued by the respondents directly to the customers of the petitioners, who were liable to make payment to the petitioners in respect of goods supplied. One such customer, upon receipt of such a letter, remitted a sum of Rs. 15 lakhs directly to the GST authorities. This had earlier been the subject matter of W.P. No. 20067 of 2021, wherein the same petitioner (MNS Enterprises) had sought refund of amounts recovered from its customers. That writ petition was disposed of on 04.03.2022 with express findings that such recovery could not have been made either under Section 79(1)(c) or Section 83 of the applicable GST enactments, and the petitioner was granted liberty to apply for refund under Section 54. However, the petitioner did not avail of that remedy. Subsequently, orders-in-original determining tax liability were passed on 28.03.2023, and those orders are subject matter of separate writ petitions. In the present petitions, the petitioners sought a Mandamus directing the respondents to issue a "No Objection Certificate" enabling the petitioners to receive payments from their customers without interference.

COURT OBSERVATIONS (VERBATIM)

On the invalidity of letters issued before crystallization of tax liability (Para 4):

"*From the counter affidavit of the respondents, it is clear that a communication was addressed by DGGI Chennai Zonal Unit to Sumangala Steel. At that time the said communication was issued, a tax proposal had been made, but the same had not crystallised into a tax liability. In those circumstances, by order dated 04.03.2022, this Court recorded findings that neither Section 79(1)(c)*

nor Section 83 could have been pressed into service."

On the petitioner not availing refund remedy (Para 4):

"*For reasons difficult to discern, said petitioner did not adopt this course of action.*"

Final disposal terms (Para 7):

"*(i) Any letters issued by the respondents to customers of the respective petitioner, prior to the issuance of the order-in-original determining the tax liability of said petitioner, are invalid and cannot be the basis for further action;*"

"*(ii) This is, however, without prejudice to the right of the respondents to initiate appropriate action for recovery, including by recourse to Section 79(1)(c) of applicable GST enactments pursuant to the orders-in-original; and*"

"*(iii) There shall be no order as to costs.*"

FINAL VERDICT

The High Court declared that all letters issued by DGGI to the petitioners' customers prior to the passing of the order-in-original are invalid and cannot be the basis for any further action. However, the department's right to initiate recovery proceedings including under Section 79(1)(c) after passing of the order-in-original is expressly preserved. The writ petitions are disposed of accordingly.

ADDITIONAL FOOTNOTES

CITATIONS REFERRED BY THE COURT

S.No.	Reference	Remarks
1	W.P. No. 20067 of 2021 (MNS Enterprises vs. Respondents), Madras HC, Order dated 04.03.2022	Earlier writ petition of the same petitioner — expressly referred to and relied upon for the finding that recovery under Section 79(1)(c) and Section 83 was impermissible before crystallisation of tax liability

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