

Commissioner of CGST & Central Excise, Kolkata North v. M/s HP Cotton Casuals Pvt. Ltd.

Inverted duty refund to a garment processor – whether denied because input and output share the same HSN, or on “manufacture”, verification and period-wise computation objections.

Date of Order: September 10, 2026
Case Law No: GIB-GSTAT-2026-119
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

Background

The respondent buys fabric and pre-stitched garments (5%) and chemicals and packing materials (12-18%), and supplies finished apparel at 5% after bleaching, dyeing, printing, stitching, branding and packing. Its inverted duty refunds of Rs. 34,47,623 (March 2024) and Rs. 7,86,037 (February 2024) were rejected on the ground that input and output fall under the same HSN. The First Appellate Authority allowed them, and Revenue appealed, also alleging non-verification of capital-goods invoices, GSTR-2B mismatches, export ITC and annual (rather than period-wise) computation.

Final Verdict

The Tribunal held that **the concept of “manufacture” is no longer relevant under GST, since the levy under Section 9(1) is on supply, so refund eligibility does not depend on whether the claimant is a trader or a manufacturer**. Para 3 of Circular 135/05/2020-GST, by its very heading, deals with accumulation due to a reduction in the GST rate, and para 3.2 applies only where the same goods attract different rates at different points of time; it has no application where there is no rate reduction. Following the Madras High Court in Vindhya Spinning Mills (14.07.2026), it held that **Section 54(3)(ii) draws no distinction between principal and other inputs, so where higher-taxed chemicals and packing materials cause the accumulation, refund cannot be denied because one input shares the output’s rate or HSN**. Computation had been period-specific under Rule 89(5), and the verification objections had already been examined by both lower authorities and were not rebutted by any evidence. Revenue’s appeals were dismissed.