TRAN Appeals Before GSTAT: Jurisdictional Boundaries on Legacy Credits

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The transition from the erstwhile indirect tax regime (VAT, Service Tax, Central Excise) to GST was accompanied by complex disputes over the treatment of transitional credits. Taxpayers sought to carry forward credits through TRAN 1 filings, while authorities often initiated proceedings under Sections 73 and 74 of the CGST Act. Recent judicial pronouncements have clarified the jurisdictional limits of GST authorities in adjudicating such matters, particularly where credits pertain to the pre GST regime.

M/s Shiv Shakti Trading Co. vs. State of Haryana [2026 VIL 847 P&H]

In this case, proceedings were initiated under GST law in respect of credits availed under the erstwhile VAT regime. The Punjab & Haryana High Court, relying on precedents such as Usha Martin Limited vs. ADC, CGEx, Jamshedpur [2024] 124 GSTR 396 (Jharkhand) and Steel Authority of India Limited vs. State of Jharkhand (2025 SCC OnLine Jhar 436), held that GST authorities lack jurisdiction to adjudicate credits claimed under VAT. The Supreme Court's dismissal of the SLP in the SAIL case reinforced this position.

Key takeaway: Credits availed under VAT or CENVAT cannot be reopened or adjudicated under GST, as the jurisdiction lies outside the scope of the GST framework.

• Jurisdictional limits protect taxpayers from retrospective application of GST law.

• TRAN Appeals may rely on this ground to contest proceedings.

• Authorities cannot disallow TRAN Credit merely because Credit under the earlier regime was not correct.

In the same vein it is important also to understand another matter. In another appeal, M/s Karam Chand Thapar & Bros (Coal Sales) Ltd. [AAAR Order dated 15.07.2026], the Appellate Authority for Advance Ruling (AAAR) examined the scope of Section 142(11)(a) of the CGST Act, which was designed to prevent double taxation during the transition. The AAAR clarified:

• The statutory test is whether tax was leviable under the existing law, not whether it was actually paid.

• Mere non payment of Service Tax under the old regime cannot, by itself, justify levy of GST.

Key takeaway: GST cannot be imposed retrospectively to cure non payment under Service Tax, VAT, or Central Excise. The liability must be tested under the law prevailing at the time of the transaction.

• Section 142(11)(a) ensures continuity without duplication of tax.

• AAAR rulings provide persuasive authority for similar disputes.

Implications for Taxpayers

These rulings collectively underscore that legacy credits and liabilities must be adjudicated under the laws in force at the time of accrual, not under GST. For businesses, this has several implications:

- **Defensive strategy** – Taxpayers facing proceedings under GST for VAT/CENVAT credits can challenge jurisdiction.
- **Risk management** – Companies should maintain documentation from the pre GST era to substantiate credit claims.
- **Litigation outlook** – Similar appeals before GSTAT are likely to succeed on jurisdictional grounds, reducing exposure to retrospective demands.

Conclusion

The jurisprudence emerging from High Courts, AAAR, and the Supreme Court establishes a clear boundary: GST authorities cannot adjudicate disputes rooted in the pre GST regime. This protects taxpayers from double taxation and ensures that transitional provisions are interpreted in line with legislative intent. For businesses, the message is clear—while compliance under GST remains critical, disputes relating to legacy credits must be defended under the appropriate jurisdiction, not conceded under GST.

LET'S DISCUSS FURTHER!

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