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LITIGATION ALERT

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Andhra Pradesh High Court curtails State GST officers' powers over inter-State goods in transit.

Andhra Pradesh High Court curtails State GST officers' powers over inter-State goods in transit

Golden Traders & Ors. vs. Deputy Assistant Commissioner of State Tax & Ors¹

The Hon'ble Andhra Pradesh ('AP') High Court has drawn a clear jurisdictional boundary under the GST framework by holding that State GST officers cannot invoke detention, seizure or confiscation powers under Sections 129 and 130 of the Central Goods and Services Tax Act, 2017 (the 'CGST Act') and the Andhra Pradesh Goods and Services Tax Act, 2017 (the 'APGST Act') in respect of inter-state supplies that neither originate nor terminate within the State.

The ruling significantly curtails enforcement powers of transit-state authorities and reinforces that jurisdiction must align with statutory entitlement to tax.

Background and Facts

- A batch of writ petitions arose from a common fact pattern where consignments moving from one State to another (e.g., Kerala/Karnataka to Delhi/Maharashtra) were intercepted in Andhra Pradesh by State GST authorities.
- In most cases, the consignments were accompanied by valid documentation under Section 68 of the CGST Act, except in one instance (W.P. No. 3258 of 2026) involving alleged absence of E-way bill.
- Proceedings were initiated under Section 129 of the CGST Act and the APGST Act (detention/seizure) primarily on grounds of

undervaluation, mismatch in quantity, or discrepancy in description.

- The contention of the petitioners was centred on two key questions:
 - Whether the State GST officers of a transit State have jurisdiction under Sections 129/130 of the CGST Act and the APGST Act in respect of inter-State supplies governed by the Integrated Goods and Services Tax Act, 2017 (the 'IGST Act'); and
 - Whether valuation-related discrepancies can justify detention/confiscation under these provisions.
- The respondents argued that officers appointed under the APGST Act are automatically cross empowered under Section 6 of the CGST Act, and Section 4 of the IGST Act, to function as "proper officers" under those Acts without requiring any separate notification.

Findings of the Court

- The Court undertook a structural interpretation of the GST framework, emphasising that jurisdiction of officers must align with both the statutory design and constitutional allocation of taxing powers.
- The term "proper officer" under Section 2(91) of the APGST Act refers to officers assigned with specific functions by the Chief Commissioner under that Act alone, such assignment does not

¹ TS 205 HCAP 2026-GST

automatically confer power to act under the CGST Act, 2017 or IGST Act, 2017.

- Relying on the Supreme Court's ruling in *Armour Security (India) Ltd.*² and *TVL Vardhan Infrastructure*³, the AP High Court reaffirmed that cross-empowerment under the GST framework is not automatic and jurisdiction cannot be assumed in the absence of statutory authorisation. The Court held that an officer under the CGST, SGST or IGST laws can exercise powers only in respect of taxpayers administratively assigned to such authority and where the officer is duly designated as the "proper officer".
- Section 6 of the CGST Act, 2017 and Section 4 of the IGST Act, 2017 do provide a mechanism for cross-empowerment of State officers as proper officers under the central legislation, but such empowerment is conditional and not automatic, it operates only where a taxpayer has been administratively allotted to the State and the State officer has been designated the proper officer in relation to that taxpayer.
- With respect to the IGST Act, the Court held that a State officer's cross-empowerment under Section 4 of the IGST Act, 2017 to exercise powers under Sections 129 and 130 of the CGST Act is limited to transactions in which the State of Andhra Pradesh is entitled to a share of the integrated tax under Section 17 of the IGST Act. Where a supply originates outside Andhra Pradesh and culminates outside Andhra Pradesh, jurisdiction is fundamentally absent in the absence of any revenue entitlement to the State under Section 17 of the IGST Act.
- The respondents' interpretation that cross-empowerment is unrestricted unless limited by notification was rejected as conferring unfettered discretion on State officers under

Central legislation, which is impermissible under the scheme of the GST Acts.

- Allowing an intermediary State to collect penalties or fines or appropriate confiscated goods in respect of transactions not taxable in that State, and in the absence of any mechanism to reimburse the origin or destination States, would be contrary to the constitutional and statutory scheme under Articles 246A and 269A and the IGST Act.
- The Court while determining the powers of AP State officers to seize or confiscate goods on the ground of varied valuation, followed the precedence of Kerala⁴, Chhattisgarh⁵, Gujarat⁶, and Allahabad⁷ High Courts and held that that undervaluation or quantification discrepancies, by themselves, do not justify detention or confiscation under Sections 129 and 130 of the CGST/IGST Acts, 2017. It reaffirmed that such powers are confined to cases involving clear incidence of tax evasion, such as absence or falsity of documents, forged e-way bills, or a complete mismatch of goods, and cannot be invoked to undertake assessment or valuation exercises at the stage of transit.
- Regarding W.P. No. 3258 of 2026, the Court rejected the allegation of absence of E-Way Bill, noting that the initial inspection was neither recorded nor reported online as mandated under Rule 138C of the Central Goods and Services Tax Rules, 2017, consequently, the claim of non-compliance prior to the second inspection was unsustainable.
- The Court highlighted the absence of any statutory mechanism for redistribution of penalties or confiscation proceeds collected by a transit State, observing that permitting such action would result in appropriation of revenue contrary to the GST settlement framework.

² *Armour Security (India) Ltd. v. Commr. (CGST)*, (2025)145 GSTR 385 : 2025 SCC OnLine SC 1700

³ *TVL Vardhan Infrastructure vs. Special Secretary*, 2024 (16) CENTAX 509 (MAD)

⁴ *Alfa Group vs. The Assistant State Tax Officer*, 2020 (34) G.S.T.L. 142

⁵ *K.P. Sugandh Ltd. & Others vs. State of Chhattisgarh*, 2020 (38) GSTL 317

⁶ *Panchi Traders vs. State of Gujarat*, 2025 (12) TMI 941

⁷ *Saran Agarwal & Company vs. Additional Commissioner Grade*, 2024 (84) GSTL 181 (ALL.)

Judgment

The Court accordingly set aside all detention and confiscation proceedings and concluded that:

- State officers may exercise powers under Sections 129/130 of the CGST Act only where jurisdiction exists in law.
- In cases of inter-State supplies lacking nexus with the State, officers may at best transmit information to the jurisdictional proper officer.
- Cross-empowerment does not override the statutory and constitutional limits governing IGST transactions.

DHRUVA INSIGHT

The ruling provides significant clarity on the jurisdictional boundaries of State GST authorities in the context of inter-state movement of goods.

The ruling firmly establishes that cross-empowerment under GST is neither automatic nor plenary, and must align with taxpayer allocation and revenue nexus, drawing a clear line between administrative convenience and legal authority.

The decision reinforces that GST is not merely a harmonised tax regime, but a constitutionally structured system where jurisdiction flows from revenue entitlement and not administrative convenience.

Further, the Court's observations on detention powers are equally noteworthy. The Court by reaffirming that Sections 129 and 130 of the CGST Act are limited to clear cases of tax evasion and cannot be invoked for valuation disputes or minor discrepancies. It will be monumental in curbing arbitrary detention and preserving the distinction between enforcement and assessment.

Overall, from a practical standpoint, the ruling is likely to substantially reduce instances of arbitrary detention during inter-state movement of goods, particularly in high-friction corridors.

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