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Landmark Ruling:

Supreme Court Permits ITC Utilization for 10% Pre-Deposit in GST Appeals

- The Supreme Court has allowed taxpayers appealing against an order to make a mandatory pre-deposit of 10% of the disputed tax amount under the Input Tax Credit (ITC) system.

- The **problem** was that, under the GST regime, only cash payments through the Electronic Cash Ledger (ECL) were accepted for pre-deposit, and ITC available in the Electronic Credit Ledger couldn't be utilised.

- In a landmark **judgment** dated May 19, 2025, the Supreme Court upheld the progressive ruling of the Gujarat High Court. This ruling allows taxpayers to now utilise ITC to make the mandatory 10% pre-deposit. This is a major relief for businesses with significant credit balances stuck in their ledgers.

- Input Tax Credit (ITC) refers to the credit a business earns for taxes paid on purchases, which can be offset against tax payable on sales(output tax). It's a key **feature** of GST to prevent tax cascading.

- The **legal background** of the case originated in the Gujarat High Court, which ruled that ITC can be used for pre-deposit under appeals. Section 107 of the CGST Act mandates a 10% pre-deposit for filing appeals, but it doesn't specify that it must be in cash. The Supreme Court concurred with the HC's interpretation, favouring a credit-friendly approach.

- This decision has **significant implications**. It unlocks working capital for businesses, eases cash flow pressure during the litigation process, encourages more taxpayer-friendly interpretations of GST provisions, and supports MSMEs and exporters with idle ITC balances.

CONCLUSION :

This landmark case, referred to as M/s Yasho Industries Limited vs Union of India, marks a **significant victory for taxpayers**. It showcases a balanced and practical interpretation of GST law, which is likely to increase appeal filings, promote compliance, and reduce financial strain, particularly for small businesses.

THANK YOU..

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