Goods and Services Tax Appellate Tribunal
Thiruvananthapuram
Division Bench Court No. I

Appeal No: APL/27/TVP/2026

M/s. Metalloids India, Pathanamthitta . ... **Appellant**

Versus

The Commissioner of State Tax
Keralam State, Thiruvananthapuram .... **Respondent**

Counsel for Appellant
PJ Anil Kumar, Advocate

Counsel for Respondent
Mansoor M I, AR

CORAM:
Hon'ble Shri Subramanya Rayaprol, Vice-President
Hon'ble Shri Ramamoorthi Sriram, Member (Technical)

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FINAL ORDER NO : 07/TVP/KERALAM/2026

Date of Hearing: 14-8-2026
Date of Order: 17-9-2026

Order per: Shri Ramamoorthi Sriram, Member (Technical)

The present appeals are directed against the Order-in-Appeal No. GSTA (ALPY) 136/2023 dated 18.01.2024 passed by the Joint Commissioner (Appeals), SGST, Kottayam.

1.0 Questions of law to be decided:

When the goods belonging to a principal are returned by the job worker on completion of job work, whether the value of the goods on which job work has been undertaken is includable in the value to be declared in the e-way bill?

2. Brief Facts of the Case

2.1 M/s Metalloids India, Valamchuzhy, Pathanamthitta, Kerala 689645 is the holder of GSTIN 32AHDPA6016G1Z3 (hereinafter referred to as the Appellant). While on vehicle checking duty on 4/5/2023, SGST Authorities intercepted and checked vehicle bearing No. KL03 AG 2784 carrying 'Aluminium Colour Coated Coils, G.I. Sheets' from M/s Roofstyle Industries Thripunithura , to M/s Metalloids India, Pathanamthitta. The SGST authorities alleged that the impugned goods were not accompanied by valid documents under GST Rules. It was also alleged that no E-way bill was seen accompanying the consignment.

2.2 The taxpayer was charged with violation of section 31 read with Rules 46, 55 and 138(1) of the GST Rules and vide Order No. ZD320523011895K dated 18.05.2023 penalty of Rs.1,25,442/- each under the CGST and SGST Act aggregating to Rs.2,50,884 was imposed under Section 129(3) of the CGST/SGST Act. The Appellant remitted the entire amount to secure immediate release of the goods and conveyance and filed an Appeal before the Appellate Authority.

2.3 The Appellate Authority vide the impugned order dismissed the appeal filed by the appellant and upheld the order imposing penalty.

3. Grounds of Appeal:

The Appellant / Assessee has filed the present appeals against the impugned order of Joint Commissioner (Appeals) , SGST, Kottayam on the following grounds:

3.1 The authorities below failed to appreciate that the movement of the goods in question was exclusively governed by Section 143 of the CGST Act read with Rule 45 of the CGST Rules relating to job work. The transportation of goods from the job worker to the principal after completion of job work cannot be equated with an independent outward taxable supply of goods.

3.2 The entire proceedings proceed on the erroneous assumption that the value of the principal's goods amounting to Rs.6,96,900/- ought to have been reflected in the e-way bill generated by the job worker. Such reasoning is wholly contrary to Rule 138 read with Section 15 of the CGST Act. The consignment value, for the purpose of Rule 138, is the value of the taxable supply covered by the accompanying tax invoice and not the intrinsic value of the goods belonging to the principal.

3.3. The authorities failed to appreciate that the transportation was accompanied by

(a) the job work tax invoice, (b) the e-way bill generated on the invoice value, (c) the receipt note, (d) the original delivery challan issued while sending the goods for job work, (e) the corresponding e-way bill generated for outward movement. Thus, the movement was completely traceable through statutory GST documents and there was absolutely no suppression or concealment and against the provisions of GST Law.

3.4 The authorities have misinterpreted Rule 138. Neither Rule 138 nor any other provision requires inclusion of the principal's goods value in the invoice issued by the job worker while returning processed goods.

3.5 The authorities failed to consider the CBIC Circular explaining the documentation required in job work transactions. The Circular specifically recognizes movement of goods under delivery challans and clarifies the statutory procedure governing job work. The impugned orders are therefore contrary to the binding departmental clarification.

3.6 Section 129 is intended to prevent evasion of tax. In the present case there is not even a whisper in either order regarding, (a) suppression, (b) clandestine removal, (c) undervaluation, (d) wrongful availment of ITC, (e) tax evasion, (f) revenue loss. Without recording any such finding, the levy of penalty is wholly unsustainable.

3.7 The movement was between registered taxable persons. The principal and the job worker are registered dealers. The entire movement was reflected in GST records. Consequently, there was absolutely no possibility of tax evasion or loss to the revenue.

3.8 The Proper Officer mechanically invoked Section 129 merely because he entertained an erroneous view regarding documentation. Section 129 cannot be converted into a penal provision for every procedural irregularity.

3.9 The order under Section 129(3) is a cryptic order. It does not discuss the objections raised by the Appellant nor does it assign any reasons for rejecting the explanation. The mandatory requirement of a reasoned and speaking order has therefore been violated.

3.10 The Joint Commissioner (Appeals) merely reproduced the submissions of the Appellant but failed to independently analyze the statutory provisions, documentary evidence and legal contentions. The appellate order does not record findings on the principal issues arising for consideration and is therefore unsustainable.

3.11 The authorities completely overlooked the beneficial statutory scheme governing job work under Section 143. The movement of goods after completion of job work is a statutorily recognized movement and cannot be treated as an ordinary taxable outward supply. The power under Section 129 has been exercised arbitrarily without proper application of mind, ignoring relevant materials and taking into consideration wholly irrelevant factors. The impugned orders are therefore liable to be interfered with.

3.12 Shri PJ Anil Kumar , Counsel for the Appellant reiterated the above submissions and requested that in view of the above, the impugned order of the Appellate Authority may be set aside , with consequential relief.

4. Submissions of the Respondent

Shri Mansoor MI , Learned AR appeared for the Respondent/ Revenue and put forth the following submissions:

4.1 Metalloids, Pathanamthitta generated E-way Bill No. 531496241450 at 8:48 AM on 04.05.2023, <u>correctly declaring 2,300 kgs of material valued at ₹6,96,900, accompanied by Delivery Challan No. 3, for onward movement to Roofstyle Industries, Thripunithura.</u> <u>This document was tendered at interception, matched physical verification, and its validity is not in dispute.</u> The return e-way bill (No. 521496456415), generated the same day at 3:47 PM for the movement from Roofstyle back to Metalloids, records the quantity of goods as zero and shows only the job-work invoice value, with no material value recorded at all. It was under cover of this return e-way bill that the goods were in transit at the time of interception.

4.2 Where the return e-way bill records the quantity of goods as zero, while 2,300 kgs of aluminium coil were demonstrably being carried, the document fails to perform its statutory function altogether. It cannot be said that the goods were "covered" by a valid e-way bill within the meaning of Rule 138 and Section 68, because the document itself affirmatively misrepresents the physical content of the consignment. A zero-quantity e-way bill is not merely deficient — it is, for all practical purposes, no e-way bill at all in respect of the goods actually being transported. It creates the appearance of compliance while concealing the true movement, which is precisely the mischief Rule 138 is designed to prevent.

4.3 Even if it is accepted, for the sake of argument, that the taxable supply on the return leg was confined to the job-work service, the Respondent submits that the e-way bill's function is not confined to declaring the value of that service — it must reflect the value of the physical consignment being moved. On a return-from-job-work movement, the e-way bill value should properly capture the original material value together with the job-work charges, so that the document accurately reflects what is physically present in the vehicle.

4.4 An e-way bill confined to the incidental service charge of ₹1,841, while ₹6,96,900 worth of material was actually in transit, understates the consignment by more than 99.7% of its true value. This is not a clerical or technical shortfall capable of being excused as a bona fide difference of interpretation — it is a valuation failure of a magnitude that independently attracts scrutiny and penalty under Section 129.

4.5 This analysis does not introduce a new case; it sharpens and substantiates the very finding already recorded in FORM GST MOV-07 — that "E-way bill is not seen accompanying along with the consignment." The verified facts now establish precisely why that finding was correct as a matter of documentary fact: the return e-way bill did not merely reflect an arguably lower value — it affirmatively declared zero quantity of goods, which takes this case outside any zone of genuine interpretative dispute over “consignment value” under Section 15 read with Rule 138(1), and into the class of cases where the goods in movement were, in substance, undocumented.

4.6 For the reasons submitted above, the Respondent prays that the appeal be dismissed and both the order under Section 129(3) and the appellate order dated 08.01.2024 be upheld, the return e-way bill relied upon by the Appellant having failed, on its face, to record any quantity of the goods actually in transit at the time of interception.

Discussions and findings

We have carefully gone through the records of the case and the submissions made by the appellant and respondent.

5. <u>Analysis of SCN</u>

5.1 On perusal of the Show cause notice it is seen that its states as follows:

a. The genuineness of transportation of Aluminum color coated coils is in question because the above transaction is on the strength of receipt note no 3 dated 4/5/23. It is not a valid transporting (sic) document under GST Rules.

b. As per GST Rules every registered taxable person under GST supplying goods or services is required to issue a tax invoice for all supplies effected and a supplier supplying exempted goods or services or a supplier who has opted for composition levy scheme has to issue a bill of supply (delivery challan) instead of a tax invoice (Section 31 read with Rule 46, 55). But in this case no such documents accompanying along with the consignment which are in transit.

c. Moreover E-way bill is not accompanying along with consignment as required under Rule 138(1) of the GST Rules.

d. From the above it could be seen that the above tax person is violating the statutory provisions of GST Act & Rules [Section 31 read with Rule 46, 55, 138(1)] which is an offence punishable under section 129 of the SGST / CGST Act.

5.2 We observe that as per Annexure to the statement of the driver in Form GST MOV-04, Invoice No 047 dated 4/5/2023 was one of the documents tendered at the time of interception. On a perusal of the said invoice, it is seen that this invoice was issued by M/s Roofstyle Industries, job worker registered under GSTIN 32BTGPS3004L1ZR, to M/s Metalloids India, Pathanamthitta in respect of goods returned after job work. The said invoice contains all mandatory particulars such as description, quantity and HSN of the goods, job work charges collected and GST paid on the said job work charges. Therefore, we find that the impugned goods were accompanied by a valid tax paid invoice. Once the goods are accompanied by a valid tax paid invoice, there is no requirement of any delivery challan.

5.3 Notwithstanding the above, we find that the in terms of para 8.4(i) of CBIC Circular No.38/12/2018 dated 26/3/2028,

(i) Where goods are sent by principal to only one job worker: The principal shall prepare in triplicate, the challan in terms of rules 45 and 55 of the CGST Rules, for sending the goods to a job worker. Two copies of the challan may be sent to the job

worker along with the goods. The job worker should send one copy of the said challan along with the goods, while returning them to the principal.

We find that as per Annexure to the statement of the driver in Form GST MOV-04, delivery challan no 3 dated 4/5/2023 issued by M/s Metalloids India (principal) was one of the documents_tendered at the time of interception. We therefore find that the appellant has fully complied with the statutory requirements in this regard. We therefore find that contrary to the averments made in the SCN, a delivery challan as per the above CBIC circular was also tendered at the time of interception and therefore it is seen that the SCN is based on inaccurate facts, as evidenced by the department's own documents.

5.4 As regards the allegation in the SCN with regard to no e-way b ill being produced in respect of the transport of goods from M/s Roofstyle Industries to M/s Metalloid Industries, we find that as per annexure to form GST MOV-01 issued by the department, the said movement was covered by e-way bill no 521496456415 which was also tendered at the time of interception. We therefore find that the allegation regarding the goods not being accompanied by e-way bill is falsified as per the department's own documents.

5.5 We therefore find that the allegations in the SCN are found to be, to say the least, factually inaccurate as per the documents issued by the SGST officers. We find no allegation in the SCN casting aspersions on the provenance / validity of these documents and therefore in the absence of the above, the said documents are deemed to be bonafide and valid.

5.6 In view of our clear and categorical findings as above, we find that he entire SCN is based on allegations on facts which are proved to be false as per the department's own documents. Therefore, we find that the SCN deserves to be set aside in toto on the above factual grounds alone.

6. Analysis of OIO / detention order issued under section 129(3).

6.1 We find that grounds contained in detention order dated 4/5/2023 are as follows: "No valid delivery challan and no valid e-way bill is accompanied along with the goods in movement from Tripunithura to Pathanamthitta – violation of Rules 55,138 and 138 A.

6.2 The issue of delivery challan has been answered by us in para 5.3 above and therefore this ground in the OIO / detention order does not survive.

6.3 We observe that the allegation in the SCN that the goods were not accompanied by e-way bill has morphed into the finding that the goods were not accompanied by valid e-way bill in the OIO.

6.4 We find that the department which started of in the SCN with the allegation that the goods were not accompanied by e-waybill (which statement is disproved by the department's own document- refer para 5.4 above) has now introduced a new aspect regarding validity of e-way bill.

6.5 We find that prima facie the allegation regarding validity of e-way bill was not part of the SCN and the OIO cannot be permitted to introduce this new ground which is dehors the SCN. On this ground alone the OIO is seen to have vitiated the principles of natural justice by introducing an element not stated in the SCN and is therefore liable to be set aside for this reason alone. Be that as it may, we also find that the OIO is silent as to the basis of its conclusion that the e-way bill no 521496456415 which accompanied the goods (as per the departments own document - refer para 5.4 above) was not valid and therefore find that the OIO to this extent is non-speaking and is in complete violation of the principles of natural justice. It fails our understanding as to how, in the absence of any reason proffered by the department for its allegation, the tax payer is expected to counter this allegation.

6.6 We therefore find that the appellants contention that the mandatory requirement of a reasoned and speaking order has been violated is clearly sustained by the facts as narrated above. We find that the OIO has been passed in complete violation of the principles of natural justice and is liable to be set aside in toto.

7. Analysis of Order in Appeal

7.1 On perusal of the order in appeal we find that the operative portion of the OIA reads as follows:

In this case the appellant has produced copy of e- way bill generated by Metalloids India to Roof Style Industries on 04.05.2023 at 8.48 am and another e-way bill generated by Metalloids India from Roof Style Industries to Metalloids India on 04.05.2023 at 3.47p.m. But no e-way bill supporting transport from A.S. Metals, Kochi to Metalloids India is seen accompanied the consignment. Also as stipulated in the above circular, no delivery challan which is mandatory to be generated supporting job work accompanied the consignment. So, the contentions raised by the appellant is devoid of merit and hence rejected and the order imposing penalty is upheld.

7.2 We find that the Appellate Authority has clearly made a finding to the effect that the appellant has produced e-way bill (generated on 4/5/2023 at 3.47 pm) by M/s Metalloids India for transport of the goods from Roofstyle Industries to Metalloid Industries and this is in total contradiction to the SCN and OIO which stated that no such e-way bill was available. However, we also find that having made this correct factual finding on the basis of records, the OIA proceeded to venture into unchartered territory by stating that there was no e-way bill supporting transport from AS Metals Kochi to Metalloids India. This is an allegation which does not figure in the SCN and therefore the OIA to this effect has transgressed the boundaries of the SCN and is liable to be struck down on these grounds alone. Moreover, it beats our comprehension as to why an e-way bill from AS Metals Kochi to Metalloids India, Pathanamthitta is an essential document for the transport of the goods from Roofstyle Industries, Tripunithura to Metalloids India, Pathanamthitta (the journey during which the goods were intercepted) which was covered by an e-way bill as recorded in the OIA itself.

7.3 We therefore find that the order of the Appellate Authority seeks to sustain the OIO on irrelevant grounds, which are not part of the SCN, suffers from non -application of mind and is liable to be set aside for this reason also.

7.4 We also find that yet another ground cited by the Appellate Authority in upholding the OIO is that, no delivery challan which is mandatory to be generated supporting job work accompanied the consignment. This contention in the OIA has already been analyzed and rejected by us in paras 5.2 to 5.3 above. We therefore find that for the foregoing reasons, the OIA is based on incorrect facts and is not sustainable.

7.5 In view of all of the above, we find that the OIA is liable to be set aside for the reason that it is based on incorrect facts (controverted by the department's own documents) and for relying on irrelevant grounds which are not part of the SCN.

8. We now proceed to discuss the contentions of the learned AR:

8.1 Contention 1: It cannot be said that the goods were "covered" by a valid e-way bill within the meaning of Rule 138 and Section 68, because the document itself affirmatively misrepresents the physical content of the consignment. A zero-quantity e-way bill is not merely deficient — it is, for all practical purposes, no e-way bill at all in respect of the goods actually being transported.

8.2 We find that the contention that the e-way bill is not valid because it misrepresents the physical content of the consignment, is not to be found in the SCN or the OIO. This being the case, we find that this is an attempt by the AR to improve / embellish the contents of the SCN by trying to read into the SCN fresh grounds which are not explicitly stated in the SCN. We find that no amount of pleading by the revenue at the tribunal stage can cover up the lacunae in the SCN and therefore we find that this argument of the AR is not of any help to the Revenue.

8.3 Contention 2: On a return-from-job-work movement, the e-way bill value should properly capture the original material value together with the job-work charges, so that the document accurately reflects what is physically present in the vehicle.

8.4 We find that the learned AR has not specified any statutory provision in support of the above contention. Per contra, the appellant has contended that such reasoning is wholly contrary to Rule 138 read with Section 15 of the CGST Act. The consignment value, for the purpose of Rule 138, is the value of the taxable supply covered by the accompanying tax invoice and not the intrinsic value of the goods belonging to the principal.

8.5 We find that Explanation 2 to Rule 138 of the KGST / CGST Rules reads as follows:

Explanation 2.- For the purposes of this rule, the consignment value of goods shall *be the value, determined in accordance with the provisions of section 15, declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes the central tax, State or Union Territory tax, integrated tax and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.*

8.6 We find that section 15(1) reads as follows:

15. Value of taxable supply.

(1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

8.7 On a conjoint reading of rule 138 and section 15 we find that:

When a job worker returns the goods to the principal after completion of job work, the supply is of job work services only and as per section 15 of the KGST / CGST Act, the transaction value shall be restricted to the job work charges plus applicable duties. The value of the original goods on which have been subjected to job work is not includable in the consignment value of the goods which is to be reported in e-way bill.

8.8 In the instant case the goods which belonged to M/s Metalloids India were being returned to them by the job worker M/s Roofstyle Industries, on completion of job work, under cover of job work invoice no 047 of dated 4/5/2023. On scrutiny of the above invoice, it is seen that the invoice value is Rs 1841, inclusive of the Job work charges and the applicable cgst and sgst. In the absence of allegation that the principal and job worker are related or that the amount specified in the invoice is not the sole consideration for the supply, as per the statutory provisions, the transaction value is

RS 1841 only which is reflected in the e-way bill 521496456415 dated 4/5/2023 which was tendered on interception of the goods. We find that as per Explanation 2 to Rule 138 of the KGST / CGST Rules, the consignment value of the goods in the instant case is Rs. 1,841 only. This is well below the threshold of Rs 50,000 stipulated in Rule 138(1) for issue of e-way bill.

8.9 In view of the above, the contention of the learned AR that the e-way bill value should capture the original material value together with the job-work charges, is contrary to the statutory provisions and is not sustainable.

8.10 In fact we find that before the Appellate Authority, the Appellant has made a strong plea to the effect that:

- The transportation of goods being made after completing the job work on issuing valid tax invoice for the service charges, the prime document is the tax invoice.
- total value including tax component being below Rs.50,000/- no E way bill is warranted.

We find that the above contention is correct for the reason that in the instant case, the transaction value as per Rule 15 is Rs 1841 and this is also the consignment value as per Explanation 2 to Rule 138 of the KGST / CGST Rules. This is well below the threshold of Rs 50,000 stipulated in Rule 138(1) for issue of e-way bill. Therefore, the appellant's contention that the present transport of job worked goods from the job worker to the principal would not be covered by the e-way bill regulations is legally correct. We find that when issue of e-way bill itself was not mandatory in the instant case , any proceedings against the taxpayer on the grounds of defective e-way bill / lack of e-way bill are void ab initio.

<u>Contention 3:</u> An e-way bill confined to the incidental service charge of ₹1,841, while ₹6,96,900 worth of material was actually in transit, understates the consignment by more than 99.7% of its true value. This is not a clerical or technical shortfall capable of being excused as a bona fide difference of interpretation — it is a valuation failure of a magnitude that independently attracts scrutiny and penalty under Section 129.

However we find that notwithstanding such fulminations and exercises in arithmetic above, as the law stands today, the appellant was required to declare only the value of the taxable supply (job work) in this case and he has done so in full compliance of the law and therefore no penalty is leviable under section 129 of the KGST / CGST Act.

Contention 4: The finding recorded in FORM GST MOV-07 — that “E-way bill is not seen accompanying along with the consignment.” finding was correct as a matter of documentary fact: the return e-way bill did not merely reflect an arguably lower value — it affirmatively declared zero quantity of goods, which takes this case outside any zone of genuine interpretative dispute over “consignment value” under Section 15 read with Rule 138(1), and into the class of cases where the goods in movement were, in substance, undocumented.

We find that the the above contentions of then learned AR are not legally sustainable in as much as the return e-way bill (no 521496456415 dated 4/5/2023) has reflected the correct value as per explanation to Rule 138(2) of the KGST / CGST Rules read with section 15(1) of the KGST /CGST Act.

We find that when a job worker returns the goods to the principal after completion of job work, the supply is of job work services only and as per section 15 of the KGST / CGST Act, the transaction value shall be restricted to the job work charges plus applicable duties. The value of the original goods which have been subjected to job work is not includable in the consignment value of the goods which is to be reported in e-way bill.

9. We therefore answer the question of law in para 1.0 above in the negative and find that:

> When the goods belonging to a principal are returned by the job worker on completion of job work, the value of the goods on which job work has been undertaken <u>is not includable</u> in the consignment value to be declared in the e-way bill.

10. To sum up our findings:

a. We find that the SCN itself was based on allegations on facts which are controverted by the department's own documents.

b. The OIO has been passed in complete violation of the principles of natural justice.

c. OIA is liable to be set aside for the reason that it is based on incorrect facts (controverted by the department's own documents) and for relying on irrelevant grounds which are not part of the SCN.

11. In view of our findings as above, the appeal of M/s Metalloids India is allowed and the Order in Appeal is set aside with consequent relief.

(Order pronounced in open court)

Rayaprol Subramanya Viswanatha

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Date: 2026.09.17 13:14:07 +05'30'

Subramanya Rayaprol
Vice-President

Ramamoorthi Sriram

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Date: 2026.09.17 14:16:05 +05'30'

Ramamoorthi Sriram
Member (Technical)

Dated: 17-9-2026