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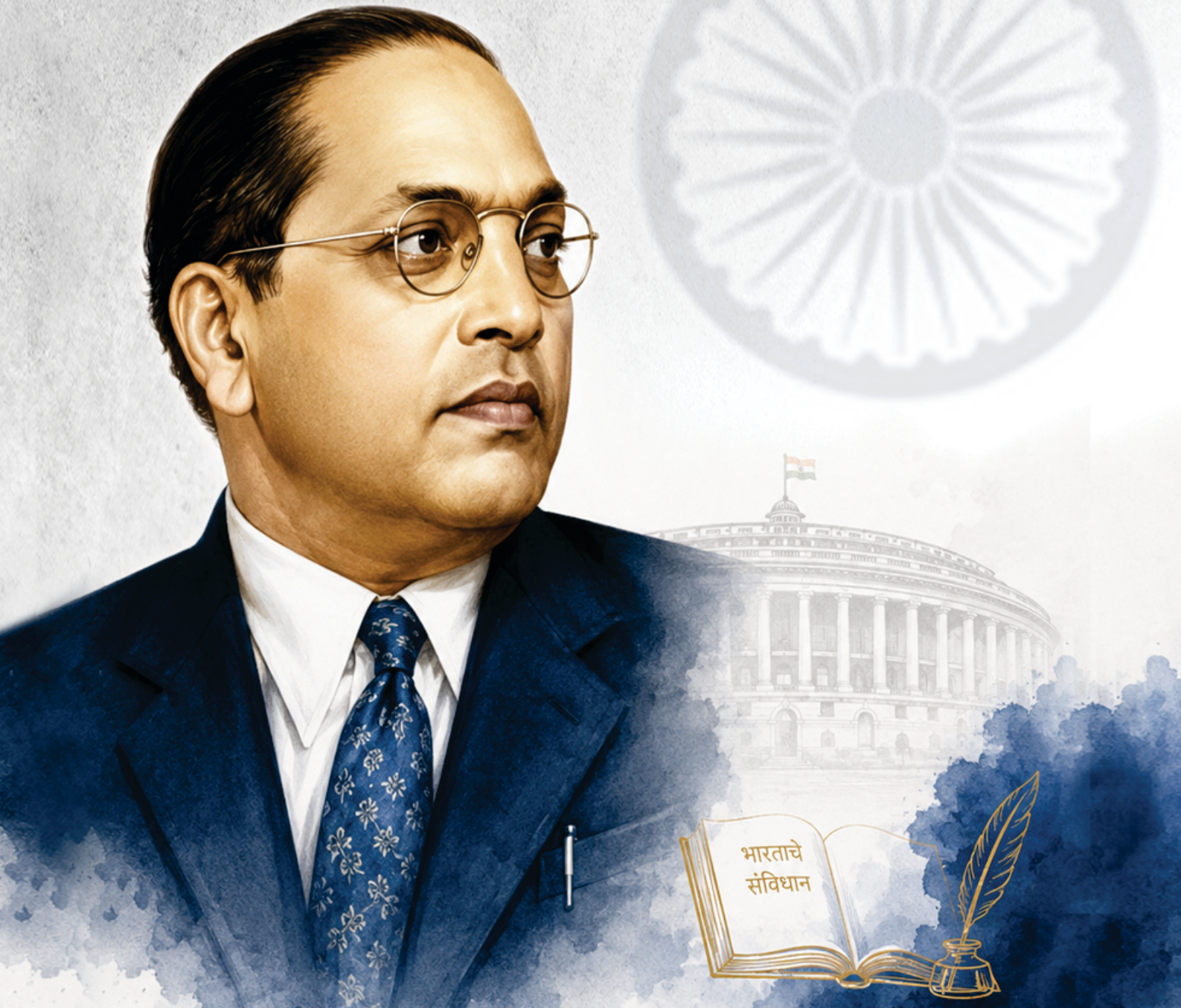
(SETUP BY AN ACT OF PARLIAMENT)
VASAI BRANCH (WIRC)



MONTHLY E-NEWSLETTER

April 2026

DR. BABASAHEB
AMBEDKAR
JAYANTI





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Chairman's Message Vasai Branch of WIRC of ICAI

Dear Members,

I am pleased to share that the Vasai Branch had an enriching and highly productive month, marked by a series of successful technical and educational programmes conducted for both members and students. The enthusiastic participation and positive response from the fraternity continue to motivate us in our endeavour to deliver quality professional learning opportunities.

We commenced the month with a comprehensive 3-Day AI Level-1 Certification Course, wherein distinguished speakers shared valuable insights and practical perspectives on the evolving role of Artificial Intelligence in the Chartered Accountancy profession. The programme received an excellent response and enabled participants to understand the transformative impact of AI on professional practice.

The Branch also organised an informative seminar on RERA Consulting & Compliance, covering practical aspects relating to registration procedures, audits, complaints, appeals, and regulatory compliances. In addition, members benefited from an enlightening session on PMLA Attachments and Seizures, which provided a deeper understanding of the legal framework and practical implications of the law for professionals.

Further, a 2-Day Workshop on Income Tax 2025 was conducted, focusing on important areas such as Salary Income, House Property, Capital Gains, and Income from Other Sources. The workshop enabled

members to stay updated with the latest provisions and practical aspects of direct taxation. We also successfully conducted the AICA Level-2 Certification Course during the month of April, continuing our commitment towards technology-oriented professional education.

On the student front, the WICASA Vasai Committee successfully organised the Mock Test Series for CA Final, Intermediate, and Foundation students, which witnessed excellent participation. A seminar on Capital Markets was also conducted to provide students with practical exposure and broaden their understanding of financial markets and investment concepts.

It gives me immense pleasure to announce that WICASA Vasai of WIRC of ICAI is set to organise its First Ever National Conference for CA Students – “Nirantar” on 11th and 12th July, 2026. I sincerely encourage all CA students to actively participate and contribute towards making this conference a grand success. Such platforms not only enhance knowledge and professional skills but also create valuable networking opportunities because, indeed, “Network is Net Worth.”

I extend my heartfelt gratitude to all the speakers, participants, faculty members, committee members, sponsors, and volunteers for their valuable contribution and unwavering support. Your active participation inspires us to continue organising meaningful initiatives for the growth and development of the professional community.



Upcoming Programmes

- AI Level Batch 3, 4 & 5 – 3rd to 5th May, 2026
- Seminar on Commercial Law – 3rd May, 2026
- Workshop on Income Tax Act, 2025 at Vartak College, Vasai – 9th & 10th May, 2026
- 3-Day Workshop on GST – 15th to 17th May, 2026
- One Day Seminar on AI for Chartered Accountants – 24th May, 2026
- One Day Seminar on International Taxation – 31st May, 2026

We look forward to your continued participation and support in all our forthcoming programmes. Together, let us continue to learn, grow, and contribute towards strengthening our professional fraternity.

Warm regards,

CA Sumit Gajanand Lakhotia

Chairman

Vasai Branch of WIRC of ICAI



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GST Implications on Diagnostic Services

1. Introduction

Under the Goods and Services Tax (GST) regime, diagnostic services are not explicitly defined in the CGST Act. However, their tax treatment is clarified through Notification No. 12/2017-Central Tax (Rate) and various circulars, particularly Circular No. 32/06/2018-GST.

2. Meaning of “Diagnosis” in GST Context

Though not statutorily defined, “diagnosis” in GST refers to:

“The process of identifying a disease, condition, or injury using clinical, laboratory, radiological, or other investigative techniques.”

This aligns with the scope of “health care services” as defined under the relevant exemption notification.

3. Definitions under Notification No. 12/2017-CT(R)_28.06.2017

“**Health Care Services**” means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India and includes services by way of transportation of the patient to and from a clinical establishment, but does not include hair transplant or cosmetic or plastic surgery, except when undertaken to restore or to reconstruct

anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

“**Clinical Establishment**” means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India, or a place established as an independent entity or a part of an establishment to carry out diagnostic or investigative services of diseases.

4. GST Exemption for Diagnostic Services

Relevant Exemption

- **Entry 74 of Notification No. 12/2017-Central Tax (Rate)** provides exemption to:

“Health care services by a clinical establishment, an authorised medical practitioner, or paramedics.”

- If NO → Not a supply → Not taxable

Diagnostic Centres

As diagnostic centres qualify as clinical establishments and provide diagnostic and investigative services, their services are covered under health care services and are therefore **exempt from GST**.



5. Examples of Exempt Diagnostic Services

- Blood and urine tests
- Imaging services (X-ray, MRI, CT scan)
- Biopsy, ECG, ultrasound, etc.
- Preventive health check-ups when provided by a clinical establishment

6. Key Clarifications from Circular No. 32/06/2018-GST

1) Services by Senior Doctors / Consultants / Technicians

Doctors and technicians hired by hospitals (whether as employees or consultants) are considered part of the overall healthcare services offered to patients. Even when hospitals pay consultancy fees without an employer-employee relationship, such services are **exempt** from GST.

No GST is payable, and the revenue should not argue that services are provided to hospitals and not to patients.

2) Retention Money by Hospitals

Hospitals often retain a portion of patient fees (e.g., Rs. 2,500 out of Rs. 10,000) while paying the balance to consultants. The retained amount covers nursing, paramedic care, emergency, and infrastructure support.

The **entire amount charged from the patient**, including the retained portion, forms part of the composite healthcare service and remains **exempt from GST**.

3) Food Supplied to Patients

- In-patient food services advised by doctors/nutritionists are treated as part of healthcare and are not separately taxable.

- Food provided to out-patients or visitors, whether charged or not, is taxable.
- If food is prepared in-house by the hospital, ITC is not available on inputs or capital goods.
- If outsourced, the caterer must charge applicable GST and ITC is not available to hospitals.

7. Legal Basis

The exemption for healthcare services, including diagnostic testing, is rooted in:

Section 29(1) of the Income Tax Act, 2025 provides for deductions allowable while computing income

- Notification No. 12/2017-Central Tax (Rate), Entry 74
- Para 2(zg) and Para 2(s) of the same notification
- Circular No. 32/06/2018-GST
- Clinical Establishments (Registration and Regulation) Act, 2010

7. GST Compliance for Diagnostic Centres

The exemption for healthcare services, including diagnostic testing, is rooted in:

- Notification No. 12/2017-Central Tax (Rate), Entry 74
- Para 2(zg) and Para 2(s) of the same notification
- Circular No. 32/06/2018-GST
- Clinical Establishments (Registration and Regulation) Act, 2010



6. GST Compliance for Diagnostic Centres

Particulars	Position
GST Applicability	Exempt (SAC Code is 9993)
GST Registration	Not required if only exempt supplies are made (In case required to pay tax under reverse charge then compulsory registration is required as per section 24)
Input Tax Credit (ITC)	Not available on inputs/services used
Invoice Requirement	May issue bill of supply instead of tax invoice

9. Conclusion

From **1st July 2017 till date (July 2025)**, diagnostic services rendered by clinical establishments have consistently remained **exempt from GST**. No GST registration is required if the diagnostic centre deals exclusively in exempt services. However, **input tax credit is not allowed** on related purchases. This exemption also extends to doctors and other professionals working with hospitals under non-employment arrangements.

10. Gujarat AAR_GUJ-GAAR-R-69-2020_17.09.2020:

The authority concluded that since the diagnostic services (MRSA PCR testing) provided by Sterling Accuris Wellness Pvt. Ltd. to a research client were used purely for academic and research purposes but not for diagnosis or treatment of illness in any patient under a recognized medical system in India – such services do **not qualify as health care services and are not exempt from GST**. Therefore, the applicant is **liable to pay GST** on these services.



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Input Tax Credit – Recent Changes, Issues & Litigation Trends under GST

Introduction

Input Tax Credit (ITC) lies at the heart of the GST regime, ensuring tax neutrality and seamless credit flow across the supply chain. Governed by Section 16 and Rules 36 to 45, ITC is fundamental to reducing the cascading effect of taxes. However, frequent amendments, system-driven compliance, and interpretational ambiguities have made ITC one of the most litigated aspects under GST.

Recent Developments and Compliance Shift

The GST framework has progressively shifted towards stricter compliance and digital enforcement. Recent amendments have reinforced conditions such as actual receipt of goods or services and tax payment by the supplier, thereby linking ITC eligibility to third-party compliance. Changes in the Input Service Distributor (ISD) mechanism have further expanded the scope of credit distribution, especially in cases involving reverse charge on inter-State supplies, increasing both clarity and compliance obligations.

Simultaneously, procedural changes have strengthened system-based validations and reduced manual discretion, resulting in a more transparent yet rigid compliance environment.

Persistent Practical Challenges

Despite legislative intent, taxpayers continue to face substantial difficulties in availing ITC. A key

issue is denial of credit due to supplier default, where bona fide recipients are penalized for non-payment of tax or non-filing of returns by suppliers. This has created significant working capital stress and legal uncertainty. Mismatches between auto-generated statements and books of accounts further exacerbate compliance burdens, often leading to disputes and reversals.

The strict time limit for availing ITC results in permanent denial of credit even in genuine cases, while interpretational issues surrounding blocked credits under Section 17(5) continue to generate litigation. These challenges reflect the gap between statutory provisions and practical implementation.

Judicial Trends and Latest Case Laws (2025–26)

Judicial precedents have consistently played a pivotal role in balancing revenue protection with taxpayer rights. The foundational principle laid down in **Eicher Motors Ltd. v. Union of India** that credit is a vested right continues to influence GST jurisprudence.

In recent GST-specific developments, courts have increasingly protected bona fide taxpayers. The Madras High Court in **D. Y. Beathel Enterprises v. State Tax Officer** reaffirmed that recovery proceedings should first be initiated against the defaulting supplier before denying ITC to the recipient, emphasizing fairness in tax administration.



Similarly, the Calcutta High Court in **LGW Industries Ltd. v. Union of India** held that automatic reversal of ITC without proper verification of transactions is unsustainable, thereby mandating due process before denial of credit.

More recently in 2025, High Courts have taken a progressive stance in cases involving mismatch between GSTR-2B and books, holding that ITC cannot be denied solely on the basis of system-generated discrepancies without examining the underlying transaction. Courts have emphasized that substantive compliance—such as receipt of goods, possession of tax invoice, and payment consideration—must prevail over procedural mismatches.

Further, in emerging 2025–26 rulings, it has been observed that authorities cannot mechanically invoke Section 16(2)(c) to deny ITC without establishing collusion or fraud on the part of the recipient. This aligns with the earlier principle laid down in **Arise India Ltd. v. Commissioner of Trade & Taxes**, which continues to hold persuasive value in GST litigation.

Courts have also addressed the rigidity of time limits under Section 16(4), granting relief in certain cases where delay was procedural and the taxpayer had otherwise fulfilled substantive conditions. This reflects a growing judicial trend favouring equitable interpretation of ITC provisions.

Conclusion

Input Tax Credit remains the backbone of GST, yet its administration continues to be complex and litigation-prone. While recent amendments aim to enhance transparency and curb revenue leakage, they have also increased compliance burdens on taxpayers. Judicial pronouncements, especially recent ones, provide critical relief by reinforcing the principle that ITC should not be denied to bona fide recipients due to procedural lapses or supplier default without due verification.

Going forward, a balanced approach combining technological efficiency with legal certainty and taxpayer protection will be essential to ensure that ITC achieves its intended objective of seamless credit flow within the GST regime.





Artificial intelligence 4th 5th & 6th April 2026





PMLA Attachments and Seizures 12th April 2026





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