AIIFA SUSTAINABLE STEEL MANUFACTURERS ASSOCIATION

(FORMERLY KNOWN AS ALL INDIA INDUCTION FURNACES ASSOCIATION)

(Promoting Sustainability in Steel for Greener Future)

AIIFA News

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What's Inside

- Induction Furnace Produce Sustainable Spring Steel for Industrial Application
- Current GST Regime and Views of AIIFA
- Addressing Key GST Concerns with the GST Council Team

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Induction Furnace Produce Sustainable Spring Steel for Industrial Application

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Spring for Automotive Industry

Spring for Railway Industry

Spring for Aerospace Industry

Different Types of Springs used in Industries

Introduction:

Indian mini steel plants are pivotal in the production of spring steel, including grades such as carbon steel, alloy steel, and stainless steel, typically made through Electric Arc Furnace (EAF) or Electric Induction Furnace (EIF) processes. These materials are then used to manufacture a wide array of springs employed in various industries. The distinctive characteristics of spring steel—its high yield strength, elasticity, and resilience—make it ideal for applications in machinery, equipment, components, and machine parts. A key feature of spring steel is its ability to return to its original shape after deformation, enabling it to withstand significant bending and twisting without permanent deformation.

Consequently, products such as spring springs, clips, fasteners, and other components that need to maintain their shape under high stress are primarily made from spring steel.

Springs made from spring steel play a crucial role in numerous sectors, both in commercial products and industrial applications. It is essential that the steel used in spring manufacturing meets stringent quality standards and desired properties, ensuring that the final product performs optimally. In industries where machinery faces high stress and exposure to changing temperatures, chemicals, and harsh conditions, the reliability of internal components is paramount. High-quality spring steel is ideally suited for these applications due to its robustness and capacity to endure extreme conditions.

Spring Steel Consumption Scenario:

The global spring steel market is experiencing robust growth, driven by strong manufacturing sectors, particularly in the Asia-Pacific region, with China and India leading the charge. Spring steel's high yield strength and resilience make it indispensable in a variety of industries such as automotive, aviation, railways, and construction. Key producers and consumers of spring steel include China, Japan, India, the USA, European countries, and Southeast Asia. In India, spring steel manufacturers source their raw materials either from steel-making units or directly from equipment manufacturers as their vendors.

Characteristics of Spring Steel:

Spring steel stands out in numerous industries due to its unique properties, which make it a preferred material for manufacturing springs and other resilient products. It is a group of medium-to-high carbon, low-alloy steels known for their excellent yield strength, which allows them to be twisted, bent, compressed, or extended, then returned to their original shape without deformation. These properties are achieved through the precise composition of the material and the hardening processes it undergoes during manufacturing.

Spring steel is used to create a wide range of products, including antennas, saw blades, lock picks, automobile suspensions, washers, knives, binder clips, tape measures, aircraft landing gear, swords, and more. The alloy composition of spring steel typically includes elements such as nickel, manganese, chrome, vanadium, and molybdenum, which contribute to its strength, flexibility, and resistance to wear and fatigue.

Composition and Properties:

The selection of materials for spring steel fabrication is guided by the tensile and yield strengths of various alloyed metals. Spring steels generally have a carbon content ranging from 0.5% to 1.0%, but may also include alloying elements such as nickel, manganese, chromium, vanadium, and molybdenum. These materials are prized for their durability, ability to retain shape, and flexibility—key properties that enable the material to deform and then return to its original position once the load is removed.

In addition to high yield strength, spring steels are known for their excellent tensile strength, fatigue strength, and ability to be post-heat treated. The hardening of spring steel, which can be achieved through heat treatment, enhances its yield strength and ensures it does not become brittle or prone to failure under stress.

Common Spring Steel Grades for Industrial Applications:

Carbon Steel: The most used carbon spring steel is AISI 1050, which has a lower carbon content, making it easy to form and heat treat for increased hardness. Other grades, such as AISI 1070 and AISI 1080, contain higher carbon content for improved strength. AISI 1095, with the highest carbon content, offers excellent elasticity and fatigue resistance after heat treatment.

·**Alloy Spring Steels:** Notable alloy spring steels include AISI 5160, 6150/H, and 9250-9260H. These high-carbon, low-alloy steels are known for their toughness, ductility, and excellent fatigue resistance, and are commonly used in automotive leaf springs and other demanding applications. The 60Si2Mn grade, which has a high silicon content, is known for its improved strength, hardenability, and tempering resistance, making it suitable for coil springs and heavy machinery.

Nominal Composition & Properties:

Grade	C (%)	Si (%)	Mn (%)	P & S Max	Cr (%)	Mo (%)	V (%)	Application
6150H	0.50	0.25	0.95	0.035	1.05	–	0.12	Spiral Spring
261	0.63	1.65	0.70	"	0.85	–	–	Leaf & Volute Spring
9260H	0.65	1.65	0.70	"	-	-	-	All Springs

Important Process Parameters of Common Grades:

Grade	Rolling Temp (°C)	Annealing Temp (°C)	Hardness (BHN)	Hardening Temp (°C)	Temp (°C)
6150H	1100 - 900	680 - 720	223	840 - 870	470 - 550
9261	"	700 - 720	238	860 - 880	"
9260H	"	"	223	830 - 860	470 - 530

Stainless Steel for General Purpose:

Grades such as AISI 302, 304, 316, and 17-7PH are commonly used for spring steel applications, offering excellent strength, heat resistance, and corrosion resistance. AISI 316 provides superior corrosion resistance in harsh environments.

Process Metallurgy of Spring Steel:

Spring steel is made by melting scrap at temperatures ranging from 1470°C to 1500°C, followed by tapping the liquid steel and adjusting the superheat to account for temperature drop during casting. Continuous casting, or strand casting, is used to form the liquid steel into billets or blooms, which are then rolled into bar products. Some manufacturers further cold-roll these products to meet customer requirements, followed by low-temperature drawing treatments to relieve stress.

Manufacturing Process of Coil Springs:

The coiling process involves shaping the rolled bars into the desired dimensions. CNC spring coiling machines offer precision and control, enabling defect-free production and facilitating complex spring shapes.

Spring Manufacturing in CNC Machine

Spring Manufacturing in Coiler

Heat treatment, including annealing, quenching, and tempering, is used to enhance the mechanical properties of the coil, improving tensile strength, hardness, durability, and resistance to fatigue.

This detailed approach to the production, processing, and use of spring steel ensures that it meets the rigorous demands of modern industrial applications.

Manufacturing Process of Leaf Springs:

A leaf spring, also known as a laminated or carriage spring, is a crucial component in the

suspension systems of wheeled vehicles. Typically, it is referred to as a semi-elliptical spring or cart spring due to its slender arc-shaped form with a rectangular cross-section. The central part of the arc serves as the axle location, while tie holes at both ends facilitate attachment to the vehicle body.

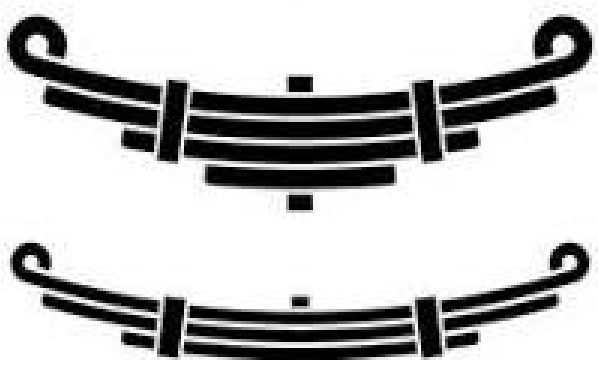
For heavy-duty vehicles, leaf springs are often constructed using multiple layers of steel leaves stacked on top of each other, with each successive leaf typically being shorter than the one below it. This construction provides additional strength and flexibility, making the leaf spring capable of supporting substantial loads. Beyond their primary function as suspension elements, leaf springs also serve secondary roles in location control and, to some extent, damping, contributing to a smoother ride.

The manufacturing process of leaf springs from rolled flat bar products involves several critical stages:

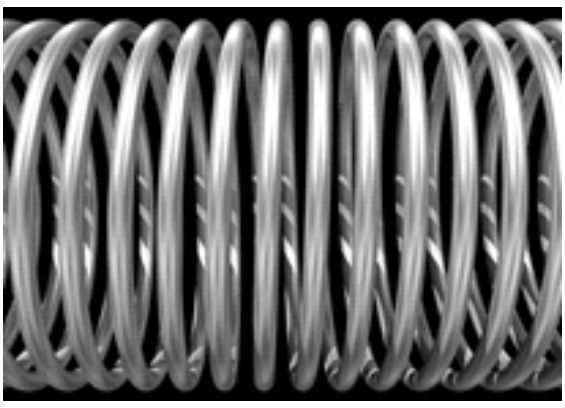
1. **Preparation of Leaves:** The first step is to cut and shape the raw steel into the appropriate leaf lengths and profiles. Precision is essential to ensure the leaves are consistent in size and shape, aligning with the final design specifications.
2. **Heat Treatment:** After shaping, the leaves undergo heat treatment processes to enhance their strength and elasticity. This stage includes hardening, which is achieved through processes like quenching and tempering. Heat treatment ensures that the leaf spring can endure significant stress and maintain its desired mechanical properties, such as high yield strength and fatigue resistance.
3. **Assembly and Surface Treatment:** Once the individual leaves are treated and cooled, they are stacked in a specific configuration—often with the shortest leaf on top and progressively longer leaves beneath it. This configuration ensures the proper springing effect. The leaves are then assembled, and surface treatments such as shot peening, painting, or coating are applied to enhance durability and resistance to corrosion.

Leaf springs can be attached directly to the vehicle frame at both ends or, more commonly, at one end, with the other end connected via a shackle—a short swinging arm. The shackle absorbs the elongation of the leaf spring when compressed, providing a more comfortable and softer suspension action. This design allows for a more controlled and flexible response, contributing to the overall performance of the vehicle's suspension system.

In summary, the manufacturing of leaf springs involves a combination of precise cutting, shaping, heat treatment, and careful assembly to ensure that the final product meets the required specifications for strength, durability, and functionality. The use of multiple layers in heavy-duty applications enhances load-bearing capacity and provides an effective suspension solution for various vehicle types.



Leaf Spring Image



Coil SpringImage

Image of Coil Spring Defects

Spring Failure Issues:

The performance of springs, whether as individual components or within an assembly, is critical to the overall functionality of the end product. A spring failure can lead to significant issues, including compromised quality and reduced profitability. To avoid such failures, it's essential to understand the root causes of spring failure. This discussion highlights the primary factors that contribute to spring failure:

1. **Stress Generation in Springs:** Stress is one of the most common causes of spring failure. If the force applied to a spring exceeds its design specifications, it can lead to overstress, causing the spring to break or take a permanent set. For example, an extension spring designed for strength may have limited elasticity. When overstretched, the spring becomes highly stressed, making it prone to breakage, either at the spring body or at its ends. Identifying the correct load capacity and adjusting the design to ensure it can handle operational stresses is key to preventing this type of failure.
2. **Wrong Material Choice:** Selecting the appropriate material for a spring is crucial to its performance and longevity. The material must be suited to the specific application and functional requirements of the spring. Different spring materials, such as carbon steel, alloy steel, or stainless steel, offer distinct properties in terms of strength, elasticity, and corrosion resistance. For instance, music wire is often preferred for applications requiring high strength. Understanding the application and wire types is essential to selecting the correct material and minimizing the risk of failure.
3. **Poor Finish or Incorrect Selection:** Springs may fail if subjected to harsh environmental conditions. The material alone isn't enough; the surface finish of the spring plays a significant role in its durability. Depending on the application, springs may need additional coatings such as zinc plating, black oxide, or passivation to enhance resistance to corrosion and wear. An experienced spring manufacturer can guide the selection of the right finish based on the environmental conditions to which the spring will be exposed.

Fatigue and Other Common Causes of Spring Failure:

- **Fatigue:** One of the primary causes of torsion spring failure is fatigue. As the spring is repeatedly twisted and untwisted, it gradually weakens and eventually breaks. The number of cycles a spring can endure before failure depends on the spring's design, material, and manufacturing quality.
- **Corrosion:** Torsion springs exposed to moisture or corrosive chemicals are susceptible to corrosion, which weakens the material and leads to failure. Proper coating and material selection can help mitigate this issue.

- **Overloading:** When a torsion spring is subjected to excessive force or torque, it can become deformed or break. Ensuring that the spring is designed to handle the expected load is critical to preventing this type of failure.
- **Improper Installation:** Incorrect installation can also lead to spring failure. If a torsion spring is not properly aligned or installed with the correct tension, it can fail prematurely.
- **Wear and Tear:** Over time, friction between a torsion spring and other components can wear down the spring's surface, weakening it and leading to failure. Regular lubrication and maintenance can help minimize this issue.
- **Surface Defects:** Springs may also fail due to surface defects such as cracks, segregation, inclusion, or porosity in the steel used for the spring. These defects act as stress raisers, gradually leading to crack formation. Fractography of a failed spring can reveal light streaks parallel to the surface, indicating these types of defects.

Steps for Spring Manufacturing:

1. **Raw Material Selection:** The process begins by selecting high-quality steel billets, which may include carbon steel, alloy steel, or stainless steel. These billets are typically rectangular or square in shape and are used for rolling into round or flat bars.
2. **Heating:** The billets are heated to a specific temperature, making them more malleable and easier to work with during the rolling process.
3. **Hot Rolling:** The heated billets are passed through rollers to shape them into the desired form, such as strips, wires, or bars.
4. **Cold Rolling (Optional):** In some cases, the steel may undergo cold rolling, where it is rolled at room temperature after the initial hot rolling to further refine the shape.
5. **Coiling (Optional):** The rolled steel may be wound into coils for easier handling and storage.
6. **Heat Treatment:** After rolling, the steel is subjected to heat treatment processes such as quenching and tempering. These processes enhance the mechanical properties of the steel, improving its hardness, strength, and elasticity.

Conclusion:

Springs are indispensable components in a wide array of industries, including automobiles, railways, aviation, and many others. Their ability to store and release mechanical energy makes them crucial for controlling motion, absorbing shocks, and providing support to other machine components. Springs come in various types, designs, and materials, each tailored to meet specific application needs.

The flexibility, elasticity, and durability of springs make them integral to the functioning of many systems. Proper design, material selection, manufacturing, and maintenance are essential to ensuring the long-term performance of springs. Springs must be carefully chosen and manufactured to prevent issues such as fatigue, corrosion, and overloading, ensuring they fulfil their intended purpose without failure.

For example, coil springs are valued for providing a softer ride without self-steering effects, while leaf springs can support heavier loads without the need for additional reinforcing components. However, leaf springs can induce self-steering effects on the front axle, requiring constant steering corrections when bumps are encountered. Despite this, leaf springs are often preferred for heavy-duty applications due to their higher load-bearing capacity and simplicity in repair compared to more complex suspension systems.

In conclusion, springs are versatile and durable components essential to the efficient operation of numerous systems and machines. Ensuring their proper design, material selection, and maintenance is key to avoiding failures and optimizing performance across various industrial applications.

Goods and Services Tax (GST) – 2017: An Overview

The **Goods and Services Tax (GST)**, introduced in India on **July 1, 2017**, represents a landmark reform in the country's indirect tax framework. It replaced the complex system of multiple taxes levied by the **central and state governments**, including **excise duty, service tax, VAT**, and other levies, with a **unified, destination-based tax** structure. Under GST, tax is imposed at the point of **consumption rather than production**, ensuring uniformity and a seamless flow of goods and services across the country. The legal framework is governed by the **Central Goods and Services Tax (CGST) Act, 2017**, the **State Goods and Services Tax (SGST) Act**, and the **Integrated Goods and Services Tax (IGST) Act**, which collectively regulate **intra-state and inter-state** transactions. The primary objectives of GST are to **simplify the tax regime, enhance transparency, curb tax evasion**, and foster **ease of doing business** by creating a unified national market.

GST follows a **dual-tax model**, where both the **central and state governments** levy tax simultaneously on a shared tax base. For **intra-state supplies**, **CGST and SGST** are applied, while **IGST** is imposed on **inter-state transactions**. A key feature of GST is the **Input Tax Credit (ITC)** mechanism, which allows businesses to claim credit for taxes paid on inputs, thereby preventing the **cascading effect** of taxation. To ensure compliance and transparency, registered taxpayers are required to **file periodic returns**, including **GSTR-1, GSTR-3B, and GSTR-9**, and reconcile their purchase and sales data with suppliers' filings through the **GST portal**.

Despite its transformative impact, the GST regime has faced several challenges, including **ITC mismatches, compliance burdens, and retrospective tax issues**. Frequent amendments and evolving judicial interpretations have refined its application over time. To address industry concerns, tax authorities have introduced **simplified compliance procedures, automated return filing**, and measures aimed at **reducing litigation**. As a dynamic and evolving tax system, GST continues to play a vital role in **strengthening tax administration, promoting fair trade practices**, and enhancing the overall efficiency and transparency of India's indirect tax framework.

Sellers' Liability Under the GST Regime

Under the **Goods and Services Tax (GST)** regime, sellers (suppliers) bear the **primary responsibility** for **collecting and remitting GST** on taxable supplies to the government. As per **Section 2(105)** of the CGST Act, a "supplier" refers to any person supplying goods or services, while **Section 2(82)** defines "output tax" as the GST chargeable on taxable supplies made by the seller. The seller's liability is determined based on the **taxable value of the supply**, which includes the consideration paid by the buyer, as per **Section 2(31)** of the CGST Act. Sellers are statutorily required to **collect GST from buyers** and deposit it into the government's **electronic cash ledger** through the GST portal.

When a seller fails to **remit the collected GST** or underreports their liability, their responsibility remains **absolute and non-transferable** until the tax is fully discharged. Under **Section 50** of the CGST Act, interest is levied on the unpaid tax amount from the due date until the date of payment. Additionally, **Sections 122 and 123** impose penalties for non-compliance, which may include **fixed fines or a percentage of the tax due**, depending on the nature and severity of the default. To enforce compliance, tax authorities, including the **Goods and Services Tax Network (GSTN)**, are empowered to initiate **recovery proceedings**, such as **issuing demand notices,**

attaching bank accounts, and seizing assets to recover outstanding taxes.

In standard transactions, the seller's failure to remit GST does **not transfer liability to the buyer**, except in cases falling under the **Reverse Charge Mechanism (RCM)** as per **Section 2(98)** of the CGST Act, where the tax liability is explicitly assigned to the buyer for certain notified supplies. Importantly, buyers remain **protected from the seller's default** in regular business dealings. Furthermore, tax authorities **cannot deny Input Tax Credit (ITC)** to buyers for transactions conducted with validly registered suppliers, even if the seller's registration is **later suspended retrospectively**. As per **Section 16(1)** of the CGST Act, buyers are entitled to claim ITC if they purchase goods or services for business purposes and hold a **valid tax invoice** from a registered supplier.

The **validity of the seller's GST registration at the time of supply** protects the buyer's ITC claim, irrespective of any subsequent retrospective suspension. Denying ITC in such cases **violates the principles of natural justice**, as it unfairly penalizes buyers who acted in good faith. Courts have consistently ruled in favor of buyers in such instances. In *M/s. D.Y. Beathel Enterprises v. State Tax Officer (2021)*, the **Madras High Court** held that tax authorities cannot shift the seller's tax burden onto the buyer. Similarly, the **Telangana High Court** in *K.V. Infra Projects v. Assistant Commissioner (2023)* reaffirmed that **ITC cannot be denied** for transactions with validly registered suppliers, even if their registration is later cancelled with retrospective effect. These judicial precedents emphasize that tax authorities are **legally obligated to recover unpaid taxes from the seller**, rather than disallowing legitimate ITC claims of innocent buyers.

Buyers' Liability Under the GST Regime

Under the **Goods and Services Tax (GST)** regime, buyers are entrusted with a **legal obligation** to ensure compliance with tax regulations, particularly when claiming **Input Tax Credit (ITC)**. As per **Section 16(2)(c)** of the **CGST Act, 2017**, buyers can only avail ITC if the supplier has **collected and remitted the tax** to the government. This places an implicit duty on buyers to conduct **due diligence** by verifying the **GST registration status** of their suppliers and ensuring that the supplier has filed accurate returns, including **GSTR-1 and GSTR-3B**, and properly reflected the transaction in **GSTR-2A/2B**. Failure to perform these verifications can result in **denial or reversal of ITC**, exposing buyers to **financial liabilities, penalties, and interest**.

In instances where a supplier's **GST registration is retrospectively suspended or cancelled**, buyers may face the risk of **ITC disallowance** on past transactions, even if they made genuine tax payments. However, judicial precedents have consistently protected buyers in such scenarios. The **Madras High Court** in *M/s. D.Y. Beathel Enterprises v. State Tax Officer (2021)* ruled that buyers cannot be penalized for the seller's non-compliance if the transaction was conducted with a **validly registered supplier**. Similarly, the **Telangana High Court** in *K.V. Infra Projects v. Assistant Commissioner (2023)* held that **ITC cannot be denied** for purchases made from valid suppliers, even if their registration is later cancelled with **retrospective effect**. These rulings reinforce the **principle of natural justice** and safeguard buyers from unjustified ITC reversals.

Additionally, under the **Reverse Charge Mechanism (RCM)**, as per **Sections 9(3) and 9(4)** of the CGST Act, the **tax liability shifts to the buyer** for specified supplies. In such cases, buyers are legally required to **self-invoice, pay the tax directly to the government**, and claim ITC, provided they meet the eligibility conditions. To safeguard their ITC claims, buyers must maintain **accurate records, verify supplier compliance**, and regularly reconcile their **transactions with the GST portal**. Non-compliance with these obligations can result in **financial penalties,**

interest liabilities, and disallowance of ITC claims, significantly affecting the buyer's **cash flow and tax liability**.

Consequences of Retrospective Suspension of Seller's GST Registration on Buyers

The retrospective suspension or cancellation of a seller's GST registration by the competent authority can have severe legal and financial implications for the buyer, even years after the transaction. One of the most significant consequences is the **denial of Input Tax Credit (ITC)**. Under **Section 16(2)(c)** of the CGST Act, 2017, a buyer is eligible for ITC only if the seller has paid the tax to the government. When the seller's registration is retrospectively cancelled, the GST authorities may treat the seller as an unregistered person, rendering the ITC invalid. Consequently, buyers may receive a **Show Cause Notice (SCN)** demanding reversal of the claimed ITC, along with **18% interest** per annum under **Section 50(1)** and potential penalties under **Section 122** for fraudulent ITC claims.

Furthermore, the buyer may face **tax liability under the Reverse Charge Mechanism (RCM)**. Since the seller is retrospectively treated as an unregistered dealer, the buyer could be held responsible for paying GST on a reverse charge basis under **Section 9(4)** of the CGST Act, along with applicable interest and penalties. This creates an additional financial burden on the buyer, who must remit tax already paid to the seller.

The retrospective cancellation also exposes buyers to **legal and financial risks**. The sudden reversal of ITC can create substantial financial stress, including repayment of large ITC amounts with interest and penalties. Buyers may be forced to challenge such demands through **writ petitions** or appeals, resulting in legal expenses and prolonged litigation. Moreover, the **financial stability** of the buyer's business may be impacted due to unforeseen tax liabilities.

Another significant consequence is the **lack of recourse against the seller**. Once the seller's GST registration is retrospectively cancelled, the buyer may face difficulty in recovering the tax amount already paid. Legal remedies against the seller become limited, as the seller may have wound up operations or become insolvent. Even if the buyer initiates civil proceedings, recovery of the tax amount may be impractical.

From a **compliance and documentation** perspective, buyers may face challenges in justifying ITC reversal during assessments or audits. To defend their claims, buyers will need to maintain proper documentation, including purchase orders, tax invoices, payment proofs, and GSTR-2A reconciliation records. Frequent retrospective cancellations could also lead to **increased scrutiny** by the GST department.

In certain cases, buyers may consider **constitutional and legal challenges**. They can argue that retrospective cancellation violates the principles of **natural justice** and **legitimate expectation**, as buyers conducted transactions in good faith when the seller's registration was valid. Courts, such as in **M/s. D. Y. Beathel Enterprises v. State Tax Officer**, have held that buyers cannot be penalized for the seller's non-compliance. Buyers can seek relief through **writ petitions under Article 226** of the Constitution, challenging the fairness of retrospective cancellation.To protect themselves, buyers should proactively **demonstrate due diligence** by verifying the seller's GST registration status, ensuring proper documentation, and reconciling their ITC claims with GSTR-2A records. They can also refer to **favorable legal precedents** and file writ petitions to challenge arbitrary cancellations.

In conclusion, retrospective suspension of a seller's GST registration exposes buyers to **ITC denial, reverse charge liabilities, financial stress, and legal disputes**. To safeguard their interests, buyers must maintain meticulous records, conduct due diligence, and consider legal remedies when necessary.

Treatment of Tax Amount Paid by the Seller in Case of Retrospective GST Registration Cancellation: Buyer's Perspective

When a seller, who has consistently filed GSTR-3B returns for several years and duly discharged their tax liability to the government, faces retrospective cancellation of their GST registration by the competent authority, it creates complex legal and financial repercussions for the buyer. Despite the seller's compliance at the time of the transaction, the retrospective cancellation invalidates the seller's registration for the affected period. Consequently, the GST department may deny or reverse the Input Tax Credit (ITC) claimed by the buyer, arguing that the transactions are deemed ineligible due to the seller's invalid registration status. This creates an unjust situation for the buyer, who made bona fide purchases and availed ITC in good faith based on valid tax invoices.

From a legal standpoint, since the seller had already deposited the tax with the government, the amount paid does not automatically become refundable or invalidated by the cancellation. Under Section 54 of the CGST Act, 2017, the seller may claim a refund of the tax paid, but only if they can prove that the tax burden was not passed on to the buyer, in adherence to the principle of *unjust enrichment*. However, if the tax has been passed on through the invoicing process, the refund claim is likely to be rejected. For the buyer, the disallowance or reversal of ITC due to retrospective cancellation could lead to prolonged litigation. Buyers may contest the department's decision by asserting that the seller's compliance at the time of supply and tax payment to the government satisfies the conditions under Section 16 of the CGST Act, thereby making the ITC claim legitimate. This highlights the need for a clear and equitable policy framework to protect genuine buyers from unwarranted tax reversals arising from retrospective seller non-compliance.

Ensuring Fair Relief for Genuine Buyers Amid Retrospective GST Registration Cancellation of Sellers: A Call for Equitable Reform

Under the current GST regime, genuine buyers who avail Input Tax Credit (ITC) in good faith face significant legal and financial challenges when the seller's GST registration is retrospectively cancelled. Despite adhering to compliance norms—such as making bona fide purchases, holding valid tax invoices, and remitting payments through legitimate banking channels—buyers often suffer ITC denial or reversal. Invoking Section 16(2)(c) of the CGST Act, 2017, GST authorities frequently disallow ITC on the grounds that the supplier's registration was invalid during the transaction period. This places an unjust burden on the buyer, who has no control over the seller's subsequent non-compliance or registration irregularities.

While the GST law currently lacks explicit statutory protection in such cases, judicial precedents have offered some relief. Several courts have ruled that ITC cannot be denied merely due to the seller's retrospective cancellation, provided the buyer acted in good faith, holds valid tax invoices, and can demonstrate that the seller discharged their tax liability at the time of supply. For instance, in *M/s. D.Y. Beathel Enterprises v. State Tax Officer* and *Bharti Telemedia Ltd. v. Union of India*, the courts held that buyers should not be penalized for the seller's default, particularly when the tax has already been remitted to the government.

However, in the absence of clear legislative safeguards, genuine buyers remain vulnerable to financial risks, unwarranted tax demands, and prolonged litigation. The current framework creates an inequitable situation where the government retains the tax collected from the seller while denying ITC to the buyer, resulting in double taxation and commercial injustice.

To rectify this imbalance, it is imperative that the GST framework introduces a statutory mechanism enabling the seamless transfer of the tax amount already paid by the seller to the buyer. This reform would ensure that bona fide taxpayers are not penalized for the seller's subsequent registration irregularities, preventing financial distress and reducing unnecessary litigation. Implementing such a provision would uphold the principles of natural justice, enhance taxpayer confidence, and promote a more transparent and equitable tax administration system.

Recommendation to Safeguard Genuine Buyers from the Impact of Retrospective GST Registration Cancellation

The current GST framework creates an inequitable scenario where the government retains the tax collected from sellers but denies Input Tax Credit (ITC) to buyers when the seller's GST registration is retrospectively cancelled. This practice results in double taxation and imposes undue financial hardship on genuine buyers, despite their compliance with tax obligations. Buyers who engage with sellers holding valid GST registrations at the time of the transaction and consistently file their GSTR-3B returns over multiple years should not be penalized due to subsequent retrospective cancellation of the seller's registration.

To uphold the principles of natural justice and promote fairness, it is recommended that the GST regime implement safeguards protecting genuine buyers from such adverse consequences. When buyers have exercised due diligence by verifying the seller's GST registration and fulfilling their tax responsibilities in good faith, they should not be held liable for the seller's non-compliance. Introducing such measures will enhance the credibility of the GST system, prevent commercial injustice, and foster greater trust and confidence among taxpayers.

Addressing Key GST Concerns with the GST Council Team

Date: 28th March 2025

Venue: GST Council Secretariat, 5th Floor, Tower-II, Jeevan Bharti Building, Connaught Place, New Delhi-110001

Chaired by: Shri Pankaj Kumar Singh, Additional Secretary

Participants:

GST Council Secretariat:

- Mr. Devi Prasad Mishra, IRS – Joint Secretary
- Ms. Shaifali G Singh – Director
- Mr. Anil Kumar – Deputy Secretary
- Mr. Anil Kumar Moria – Under Secretary
- Mr. Sandeep Kumar – Superintendent

Industry Representatives:

- **Mr. Sandeep Jain** – President, Bombay Metal Exchange Ltd. (BME)
- **Mr. Kamal Aggarwal** – Hon. Secretary General, AIIFA Sustainable Steel Manufacturers Association (AIIFA)
- **Mr. Amar Singh** – Secretary General, Materials Recycling Association of India (MRAI)
- **Mr. Mahendra Mehta** – Vice President, BME

- **Mr. Suresh Jain** – President, Bombay Non-Ferrous Metals Association Ltd. (BNMA)
- **Dr. Sandeep Vakharia** – Hon. Secretary, BNMA & Federation of Associations of Maharashtra (FAM)
- **Mr. D.K. Jain** – President, Indian Non-Ferrous Metal Manufacturers Association (INFMMA), Director, Indian Copper Development Centre (ICDC)
- **Mr. Sudhir Agarwal** – President, Inland Importers & Consumers Association (IICA)
- **Mr. Sanjay Karn** – President, Public Affairs, Polycab
- **Mr. Ashok Gupta** – Sr. Vice President, BME North Chapter
- **Mr. Mitesh Prajapati** – Secretary, Confederation of Associations of Maharashtra Industry & Trade (CAMIT)
- **Mr. Aditya Menon** – Sterlite-Vedanta Group
- **Mr. Shailesh Jain** – Regional Secretary, Aluminium Extrusion Manufacturers Association of India (ALEMAI)

Key Discussions and Resolutions:

1. Combating Fake Invoicing in Non-Ferrous Metals Scrap Recycling:

- Industry representatives highlighted the rampant issue of fake invoicing in the non-ferrous metals scrap recycling sector, which is causing significant revenue losses and market distortion.
- The participants stressed the need for stricter monitoring mechanisms and preventive measures to curb such malpractices.
- The GST Council Team assured full cooperation in identifying and implementing effective solutions to eliminate fraudulent invoicing.

2. Proposal for GST Tariff Reduction on Non-Ferrous Metals:

- Industry associations proposed reducing the GST tariff on non-ferrous metals from **18% to 12%**.
- They emphasized that the lower tax rate would:
  - Enhance industry competitiveness.
  - Reduce operational costs.
  - Promote growth and investment.
- The GST Council Team acknowledged the proposal and assured that it would be duly considered during the next tariff review.

3. Protection of Genuine Buyers from Retrospective GST Registration Cancellations:

- Attendees raised concerns regarding the retrospective cancellation of sellers' GST registrations, which unfairly impacts genuine buyers.
- Under the current framework, the government retains the tax collected from sellers but denies **Input Tax Credit (ITC)** to buyers, resulting in double taxation and financial hardship for compliant businesses.

- The industry associations recommended the following safeguards:
- **Principle of Natural Justice:** Buyers who transacted with valid GST-registered sellers and filed their **GSTR-3B** returns in good faith should not be penalized for the sellers' subsequent non-compliance.
- **Policy Reform:** Introduction of policy measures to protect genuine buyers from ITC denial due to retrospective seller registration cancellations.
- The GST Council Team acknowledged the concerns raised and assured a thorough evaluation of potential policy reforms to prevent such commercial injustices. In the meantime, AIIFA is requested to submit a detailed representation outlining the specific issues faced by the industry, along with any relevant suggestions or recommendations for policy reforms.

4. Technological Intervention – VeriTransact App:

- Dr. Sandeep Vakharia presented the **VeriTransact App**, designed to enhance GST compliance and mitigate fake invoicing risks.
- Key features of the app include:
  - Real-time GST registration verification.
  - Ensuring only valid GST-registered sellers are transacted with.
  - Reducing the risk of fraud and non-compliance.
- The GST Council Team expressed keen interest in exploring the app's broader industry adoption and promotion.

Conclusion:

The meeting concluded with the GST Council Team's assurance of collaborative efforts with industry stakeholders to address the highlighted concerns. They committed to:

- Strengthening enforcement mechanisms against fake invoicing.
- Considering GST tariff revisions in future reviews.
- Evaluating policy reforms to protect genuine buyers.
- Exploring technological interventions like the VeriTransact App for broader industry compliance.

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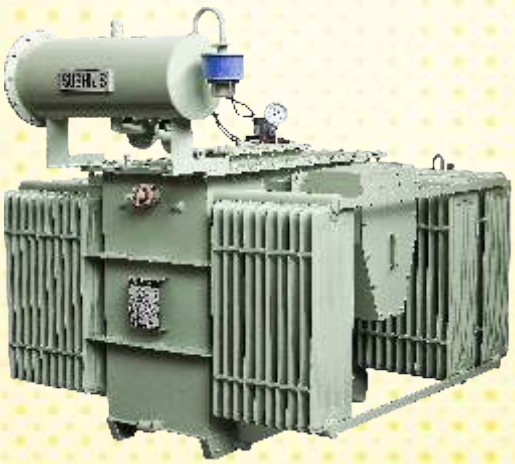

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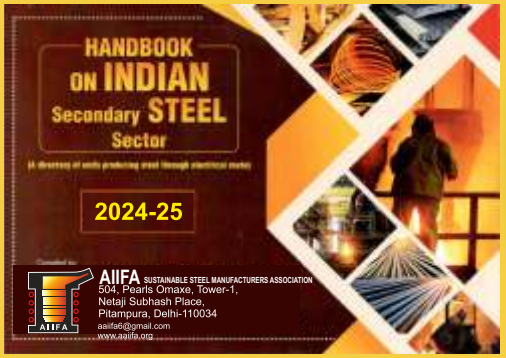

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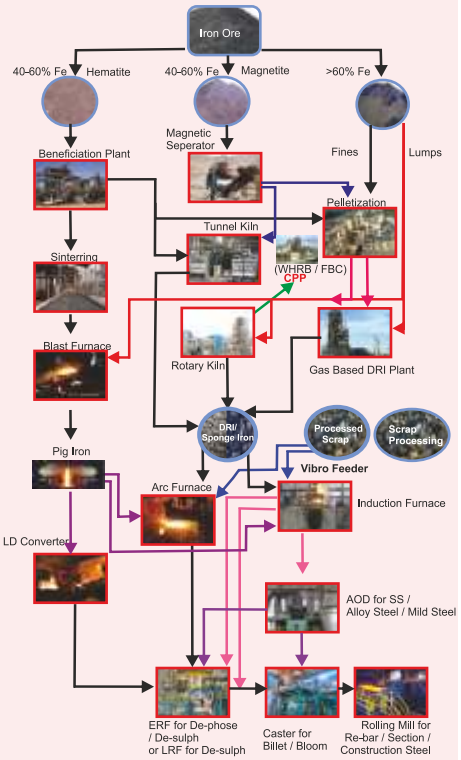

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