Advisory on Difficulty in filing appeals on the GST portal in cases where adjudication orders reflect "NIL" demand due to prior voluntary payment

Subject : Advisory on Filing of GST Appeals in Cases Where Demand is Reflected as NIL

Dear Sir/ Madam,

We wish to bring to your attention an important advisory issued on the GST portal regarding practical challenges being faced by taxpayers while filing appeals in certain situations.

1. Background and Context

It has been observed that in many cases, taxpayers make voluntary payments of tax, interest, or penalty at the stage of Show Cause Notice (SCN). Such payments are often made:

- To demonstrate bona fide intent,
- To avoid litigation exposure, or
- As a precautionary compliance measure

Importantly, these payments are made without admission of liability.

However, at the time of passing the adjudication order, the tax authorities in some cases:

- Do not explicitly determine the actual liability, and
- Issue an order reflecting "NIL demand" on the GST portal, treating the earlier payment as full discharge

2. Practical Issue on GST Portal

In such scenarios, the GST system automatically:

- Creates a Demand ID with zero value (NIL demand) in the liability register
- Restricts the filing of appeal (Form APL-01)

As a result, while attempting to file an appeal, the system may display an error such as:

- *"Disputed amount cannot be more than demand amount"*

This creates a technical blockage, preventing taxpayers from exercising their right to appeal.

3. Legal Position

It is important to understand the correct legal position:

- Payment made during SCN stage does not amount to acceptance of liability, unless specifically admitted

- The taxpayer continues to have the right to challenge the demand under the provisions of GST law
- However, due to incorrect reflection of NIL demand in the order/system, this right becomes practically difficult to exercise

4. Recommended Course of Action

In cases where:

- A dispute on liability still exists, and
- The adjudication order reflects NIL demand despite prior payment

The following steps are recommended:

Step 1: File Rectification Application

- Submit a rectification request to the adjudicating authority through the GST portal
- Highlight that the order does not correctly reflect the demand/liability

Step 2: Obtain Corrected Order

- The authority should issue a rectified order properly capturing the demand amount

Step 3: Proceed with Appeal Filing

- Upon reflection of demand in the system, file appeal in Form APL-01
- Ensure compliance with prescribed timelines under GST law

5. Key Action Points

You may consider the following:

- Review all recent adjudication orders, especially where payments were made prior to issuance of order
- Identify cases where NIL demand has been incorrectly reflected
- Initiate rectification process at the earliest to avoid procedural delays or limitation issues

6. How We Can Assist

Our team would be glad to support you with:

- Identification and review of impacted cases
- Drafting and filing of rectification applications
- End-to-end assistance in appeal proceedings