

Principal Commissioner CGST, Delhi South Commissionerate v. M/s Micromax Informatics Limited

Case number: SERTA 2/2026

Citation: 2026:DHC:8129-DB

Decision date: 21 September 2026

Interim patent-dispute deposits, royalty consideration and the service-tax to GST transition

Court: Delhi High Court

Bench: Hon'ble Mr. Justice Avneesh Jhingan and Hon'ble Ms. Justice Shail Jain

Decision stage: Final reasoned dismissal of Revenue's statutory appeal concerning interim patent-suit deposits and later settlement royalty. This is a legacy service-tax dispute with a GST-transition issue; the Court did not hold that IGST payment extinguishes every earlier service-tax liability.

01 Facts of case and issues

Micromax disputed Ericsson's claim concerning patents and technology. Interim orders required deposits totalling Rs. 154,79,43,050. Revenue treated these amounts as royalty consideration for imported intellectual-property services and issued a 27 March 2017 notice proposing service tax of Rs. 17,50,38,755, interest and penalties.

A settlement dated 31 December 2017 resulted in royalty of Rs. 96 crore, on which Micromax paid IGST after GST commenced. Adjudication dropped the notice proceedings on 30 August 2018; CESTAT affirmed on 19 August 2025. Revenue appealed under Section 35G. The question was whether the earlier interim deposits themselves constituted taxable royalty, rather than merely whether tax had subsequently been paid under another levy.

Pinpoint: Paragraphs 1–3, physical pp. 1–3.

02 Discussion by Hon'ble Court

The High Court upheld the distinction between contingent litigation deposits and the royalty fixed through settlement. The interim directions had created no vested entitlement for Ericsson to receive the deposits: their character remained dependent on the patent suit's outcome. The Court had not determined patent use giving rise to royalty liability, and settlement prevented that occasion from arising.

The Bench accepted the concurrent findings that the interim sums were not royalty. It recorded that the actual Rs. 96 crore settlement royalty had been subjected to IGST under the regime then applicable.

Revenue's reliance on Idea Mobile was distinguished. Wrong payment under one tax does not absolve another tax that is otherwise due; here, however, the disputed deposits had not been established as consideration for taxable services. The decision therefore turns on the character of these payments. It is not an automatic cross-tax discharge rule or an exemption for every court-directed payment.

Pinpoint: Paragraphs 6–8, physical pp. 4–5; competing submissions appear in paragraphs 4–5.

03 Judicial decision and operative relief

The Court found no factual or legal error, much less perversity, in the findings affirmed by CESTAT. No substantial question of law arose, and Revenue's appeal was dismissed. The dropping of the notice proceedings consequently remained undisturbed.

This judgment directed no fresh refund, interest payment, remand or reassessment. It did not determine the patent-infringement dispute or prescribe a universal GST rate or time-of-supply rule for intellectual-property settlements.

Pinpoint: Paragraph 9, physical p. 6, read with paragraphs 7–8, p. 5.

04 In favour of

Micromax, as respondent, on Revenue's challenge to the dropping of these service-tax proceedings. The later settlement royalty remained subject to the recorded IGST treatment.

Final reasoned Revenue-appeal dismissal on the payment-character issue. The judgment leaves the favourable adjudication and Tribunal result intact; it does not grant a separate monetary recovery or erase unrelated legacy liabilities.

Pinpoint: Paragraphs 7–9, physical pp. 5–6.

05 AKHB REVIEW POINT

AKHB analysis: Preserve the interim orders, deposit terms, settlement, release directions and tax-payment records. Distinguish a contingent security deposit from consideration already earned or vested in the recipient. The ledger label alone cannot settle that question.

For a transaction spanning GST commencement, identify the actual taxable event, applicable valuation and timing provisions, and every relevant payment. Do not use a later IGST challan alone to answer an earlier service-tax demand. Confirm the precise notice and adjudicated findings, and check subsequent appellate orders before applying this fact-sensitive ruling.

Pinpoint: AKHB commentary based on paragraphs 2 and 6–9; not additional Court directions.

Sources and limitations

Relevant provisions

Central Excise Act 1944 Section 35G; Finance Act 1994 Sections 66A, 68(2), 75 and 78 appear in Revenue's proposed questions; Service Tax Rules 1994 Rule 2(1)(d)(iv) is quoted there; CGST Act 2017 Section 174(2)(e) is the savings provision invoked in proposed question 4, whose printed Act name is "COST Act".

Statutory note

The statutory appeal concerned the character of the deposits. Revenue's proposed questions are not holdings of the High Court. In particular, paragraph 3's Section 174(2)(e) question must not be paraphrased as a ruling that subsequent IGST payment extinguishes an established service-tax liability. Paragraphs 7–8 reject the underlying premise that these interim deposits were royalty. The Court did not independently construe every historical reverse-charge provision listed in the proposed questions, determine a general payment-date test, or adjudicate all components of import-of-service taxation. The 18% IGST and 12% service-tax figures in paragraph 5 are counsel's submissions, not an adopted universal rate comparison.

India Code's CGST compilation labelled as at 11 June 2026 was checked on 13 October 2026, targeted physical pp. 123–124. Sections 173 and 174(2)(c)–(f) retain the distinction between omission of Finance Act Chapter V and preservation of relevant legacy liabilities, investigations, adjudication, recovery and appeals. This was a targeted text check, not an exhaustive amendment, historical service-tax, valuation or time-of-supply audit.

Treatment note

Checked 13 October 2026. The official Delhi High Court exact-case result for SERTA 2/2026 names these parties, records DISPOSED and Next Date NA, and returns four orders dated 14 January, 20 April, 16 July and 21 September 2026. The judgment entry carries the same neutral citation and no corrigendum. No later order appears in that returned case list; the earlier three orders were not individually reviewed. A fresh official judgment download is byte-identical to the retained six-page source.

Bounded searches using the exact party names, SERTA number, decision date, neutral citation and review/stay/appeal terms, including official Supreme Court and Delhi domains, did not establish a later direct appellate or review order affecting this decision. This is not complete registry or citator clearance. The separate patent litigation, settlement documents, underlying adjudication and full Tribunal original were not independently obtained. An official CESTAT administrative register refers to its 19 August 2025 order, but that is not a substitute for the order itself. Unrelated corporate and arbitration matters involving Micromax were not treated as later treatment of this tax appeal.

Scope of source review

All six physical pages of the official High Court judgment were fully read and individually visually inspected, including caption, proposed questions, reasoning and operative dismissal. Original bytes remain unchanged; fresh official bytes match. India Code review was confined to the relevant Sections 173–174 text at physical pp. 123–124. Cited precedents and the Tribunal result are described as this High Court discusses them, without claiming separate full-primary-text review of every authority.

Source notes

The neutral citation 2026:DHC:8129-DB is visible on the page images and independently appears in the official order-list entry. Decision date 21 September 2026 differs from the 28 September signing/upload date. Paragraph 1 calls the Tribunal proceeding "Excise Appeal No.50318/2019"; this note does not

silently resolve that description into a separately verified Tribunal case classification. Proposed question 4 prints “COST Act, 2017”; the CGST savings provision is identified transparently rather than treating that typography as a different verified statute. Proposed question 1 also prints an ambiguous separator between Sections 66A and 68(2); no independent ruling on the temporal availability of Section 66A is inferred.

The source describes Ericsson as located abroad and uses a specific country description; this note does not rely on or independently verify that corporate domicile. Paragraph 6’s reference to securing the “appellant” is read only as part of its description of interim arrangements, not a finding that the tax Department was beneficiary of the patent-suit deposits. The original’s visible signature status was preserved; cryptographic signature validity was not tested.

Primary source

Source description: Official Delhi High Court judgment

Official source: [Open source document](#)

Source pages: 6

Judgment author: Avneesh Jhingan, J. (oral)

Outcome type: final reasoned revenue appeal dismissal

Additional source

Delhi High Court official case-number order search

Official source: [Open source document](#)

Pinpoint: SERTA 2/2026 exact party/status result and four order entries ending 21 September 2026, checked 13 October 2026.

India Code CGST Act compilation as at 11 June 2026

Official source: [Open source document](#)

Pinpoint: Targeted physical pp. 123–124, Sections 173 and 174, for the scope of legacy savings; not a separate holding of Micromax.

Disclosures and source rights

AI disclosure: Prepared with AI assistance from the complete official judgment and identified primary sources. No human legal review is claimed.

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