

**GSTAT**  
**Single Bench Court No. 3**

**NAPA/24/PB/2025**

DG ANTI PROFITEERING, DIRECTOR GENERAL OF ANTI-  
PROFITEERING, DGAP

.....Appellant

**Versus**

JYOTHI THEATRE

.....Respondent

**Counsel for Appellant**

**Counsel for Respondent**

**Hon'ble Sh. Anil Kumar Gupta, Member (Technical)**

Form GST APL-04A

[See rules 113(1) & 115]

Summary of the order and demand after issue of order by the GST Appellate Tribunal

**whether remand order : No**

**Order reference no. : ZA070010326000089H**

**Date of order : 25/03/2026**

<b>1.</b>	GSTIN/Temporary ID/UIN - 36AANFA7194E1Z7	
<b>2.</b>	Appeal Case Reference no. - NAPA/24/PB/2025	Date - 06/05/2024
<b>3.</b>	Name of the appellant - DGAP , dgap.cbic@gov.in , 011-23741544	
<b>4.</b>	Name of the respondent - 1. Jyothi Theatre , jyothitheatre@gmail.com , 9133442555	
<b>5.</b>	Order appealed against -	

	<b>(5.1) Order Type -</b>	
	<b>(5.2) Ref Number -</b>	<b>Date -</b>
<b>6.</b>	Personal Hearing - 25/03/2026 12/03/2026 28/01/2026 16/12/2025 04/11/2025 14/10/2025 24/09/2025	
<b>7.</b>	Status of Order under Appeal - Confirmed – Order under Appeal is confirmed	
<b>8.</b>	Order in brief -	
<b>Summary of Order</b>		
<b>9.</b>	Type of order : Closure Report	

Place :DELHIPB

Signature

Date : 25.03.2026

DELHIPB Sudesh Kumar

Designation : Stenographer/Law researcher

Jurisdiction :Delhi (PB)

## **ORDER**

### **Order**

1. The present proceeding emanates from the report of the Director General of Anti-Profiteering (DGAP) to determine whether the Respondent, M/s Jyothi Theatre (Hereinafter referred as Respondent) has contravened the provisions of Section 171 of the Central Goods and Services Tax Act, 2017, by not passing on the benefit of reduction in the rate of GST on admission to cinema halls, resulting in profiteering to the tune of Rs.19,86,640/- (Rupees Nineteen Lakhs Eighty Six Thousand Six Hundred and Forty). On 01.07.2017, the CGST Act came into force with initial GST rates of 28% for tickets priced at Rs. 101/- or more and 18% for ticket priced at Rs. 100/- or less per person per show. These rates were reduced to 18% and 12% respectively w.e.f. 01.01.2019 vide Notification No. 27/2018-CT (Rate) dated 31.12.2018.

2. On 31.05.2019, an application was received by the Standing Committee on Anti-Profitteering from the Principal Commissioner, Medchal Commissionerate, Hyderabad, alleging profiteering by the Respondent. The Standing Committee referred the matter to DGAP on 09.10.2019 for a detailed investigation.
3. That in response to the DGAP's notice dated 21.10.2019 and subsequent summons dated 16.01.2020 and 29.02.2020, the Respondent submitted his reply vide letters/e-mails dated 20.12.2019, 23.01.2020 and 13.02.2020. However, no information/documents as mentioned in the Notice dated 21.10.2019 were submitted by the Respondent. Meanwhile, the Respondent filed Writ Petition (Civil) No. 2938/2020 before the Hon'ble Telangana High Court against the Notice dated 21.10.2019 and the summons dated 29.01.2020 issued by the DGAP for seeking information/documents for investigation. Subsequently, the Hon'ble Telangana High Court vide order dated 12.12.2023 disposed of the said Writ Petition.
4. Accordingly, the DGAP has submitted its report dated 03.05.2024 read with corrigendum to the report dated 04.06.2024. The same were considered by the Competition Commission of India (CCI), and it was decided to allow the Respondent and the Applicant to file their consolidated written submissions in respect of the above Report of the DGAP and the corrigendum to the Report.
5. The DGAP, in its investigation report dated 03.05.2024 and its corrigendum dated 04.06.2024, observed that the Respondent continued charging the same gross ticket prices of Rs. 100/-, Rs. 80/- Rs. 60/- and Rs. 30/- (inclusive of Rs. 3/- tax-free theatre maintenance charge) both before and after 01.01.2019. Prior to rate reduction, GST @18% was paid on base prices of Rs. 84.75, RS. 67.80 Rs. 50.85 and Rs. 25.42 respectively. Post rate reduction, GST @12% was paid on increased base prices of Rs. 89.29, Rs. 71.43, Rs. 53.57, and Rs. 26.79 respectively. The Respondent claimed that no profiteering benefit accrued as gross prices remained unchanged, and pre-GST entertainment tax @14.5% was also embedded in the ticket amounts.
6. The DGAP examined sales data for ticket categories, namely family circle (Rs.100), Balcony (Rs. 80), 1st class (Rs. 60) and 2nd class (Rs. 30) pre-rate reduction and family circle (Rs.100), Balcony (Rs. 100 and Rs. 80), 1st class (Rs. 80 and Rs. 60) and 2nd class (Rs. 40 and Rs. 30) post-rate reduction. Despite GST reduction from 28% to 18% (above Rs. 100 tickets) and 18% to 12% (tickets Rs. 100 or less), the Respondent increased base prices instead of reducing gross ticket prices, thereby retaining the tax benefit. The DGAP quantified total profiteering at Rs.19,86,640/- for the period 01.01.2019 to 30.09.2019 as

detailed in Tables A, B, C and D of its Corrigendum dated 04.06.2024 to the report dated 03.05.2024.

**Table-A**

S. No.	Class of Admission ticket	01.12.2018 to 31.12.2018			01.01.2019 to 30.09.2019			Commensurate Base Price (in Rs.)	Amount which was to be Charged (in Rs.)	Increase in base price of the ticket (in Rs.)
		Price of Ticket inclusive of tax (in Rs.)	GST Rate charged (%)	Amount Charged i.e. Base Price (in Rs.)	Price of Ticket inclusive of tax (in Rs.)	GST Rate charged (%)	Amount Charged i.e. Base Price (in Rs.)			
A	B	C	D	E=C/118%	F	G	H=[G/112%]	I	J=I*112%	K=H-I
1	Family Circle	100	18%	84.75	100	12%	89.29	84.75	94.92	4.54
2	Balcony	80	18%	67.80	80	12%	71.43	67.80	75.93	3.63
					100		89.29	67.80	75.93	21.49
3	1st Class	60	18%	50.85	60	12%	53.57	50.85	56.95	2.72
					80		71.43	50.85	56.95	20.58
4	2nd Class	30	18%	25.42	30	12%	26.79	25.42	28.47	1.36
					40		35.71	25.42	28.47	10.29

7. The DGAP had further quantified the data based on pre- and post-GST data and outward supplied details (where GST rate was reduced from 18% to 12%)

The computation is detailed in Table -B below.

**Table-B**

S. No.	Class of Admission ticket	01.01.2019 to 30.09.2019						
		Base Price charged (Rs.)	Commensurate Base Price (Rs.)	Excess amount charged per ticket (Rs.)	Excess tax charged in Rs. per ticket @ 12%	Total Profiteering per ticket (Rs.)	Qty. Sold	Total Profiteering in Rs. (including tax @12%)

A	B	C	D	E=	F=	G= (E+F)	H	I= (H*G)
				(C - D)	E*12%			
1	Family Circle	89.29	84.75	4.54	0.545	5.08	81075	412,266
2	Balcony	71.43	67.80	3.63	0.44	4.07	66894	2,77,820
		89.29	67.80	21.49	2.579	24.068	12330	2,96,758
3	1st Class	53.57	50.85	2.72	0.33	3.05	39286	1,19,862
		71.43	50.85	20.58	2.47	23.05	1945	44,836
4	2nd Class	26.79	25.42	1.36	0.16	1.53	73455	1,12,019
		35.71	25.42	10.29	1.23	11.53	3159	36,407
<b>Grand Total</b>								<b>12,99,969</b>

8. Further, the DGAP has computed the profiteered amount in respect of tickets wherein the rate of GST was reduced from 28% to 18% w.e.f. 01.01.2019, as reflected in Table-C.

**Table-C**

S. No.	Class of Admission ticket	01.12.2018 to 31.12.2018			01.01.2019 to 30.09.2019				
		Price of Ticket inclusive of tax (in Rs.)	GST Rate applicable (%)	Amount Charged i.e. Base Price (in Rs.)	Price of Ticket inclusive of tax (in Rs.)	GST Rate applicable (%)	Amount Charged i.e. Base Price (in Rs.)	Commensurate Base Price (in Rs.)	Increase in base price of the ticket (in Rs.)
A	B	C	D	E=[C/118%]	F	G	H=[G/118%]	I	J=H-I
1	Family Circle	100	18%	84.75	110	18%	93.22	84.75	8.47
					125		105.93	84.75	21.19

9. The DGAP has further quantified the profiteering on the basis of pre- and post-rate reduction data, along with the details of outward supplies pertaining to the tickets where the GST rate was reduced from 28% to 18%, as provided in Table-D.

**Table-D**

01.01.2019 to 30.09.2019								
S. No.	Class of Admission ticket	Base Price charged (Rs.)	Commensurate Base Price (Rs.)	Excess amount charged per ticket (Rs.)	Excess tax charged in Rs. per ticket @ 18%	Total Profiteering per ticket (Rs.)	Qty. Sold	Total Profiteering in Rs. (including tax @18%)
A	B	C	D	E= (C - D)	F= E*18%	G= (E+F)	H	I= (H*G)
1	Family Circle	93.22	84.75	8.47	1.53	10.00	18921	1,89,191
		105.93	84.75	21.19	3.81	25.00	19900	4,97,480
<b>Grand Total</b>								<b>6,86,671</b>

10. The DGAP concluded that the Respondent profited by Rs. 19,86,640/-which was required to be passed on to the recipients by commensurate price reduction under Section 171. Since recipients were not identifiable, the amount was liable to be deposited in Consumer Welfare Funds. The report was considered by the Competition Commission of India and issued notice dated 26.06.2024 to the Respondent to show cause why the findings should not be accepted.

11. The Respondent filed written submissions on 03.11.2025, and on 23.01.2026 along with annexures. The Respondent contended that the Director General of Anti-profiteering failed to take into consideration that the prices being charged by the Respondent is within the maximum permissible limit set by the Regulating Authority, i.e. the State Government. The Respondent has submitted that under the Telangana Cinema (Regulation) Act, 1955, maximum ticket prices are determined by the Licensing Authority and non-compliance entails prosecution; although G.O.M. No. 100 dated 26.04.2013 was quashed by the High Court of Telangana on 31.10.2016 with liberty to theatres to inform proposed fares pending committee review, the State thereafter issued G.O.Ms No. 75 dated 23.06.2017 prescribing revised caps within which the Respondent operated, and any enhancement during 01.01.2019–30.09.2019 was effected pursuant to specific judicial permission and due intimation to the Licensing Authority. Further, the Respondent has also submitted that due to the difficulties faced in running a state of the art cinema hall providing several facilities to its customers at such low prices, the Respondent approached the Hon'ble High Court of Telangana in Writ Petition No. 9367 of 2019, seeking permission to sell their tickets at higher price and vide the Order dated 26.04.2019, the Hon'ble High Court of Telangana

permitted the Respondent herein to price their tickets at a higher as requested by them before the Licensing Authority. Hence, the DGAP's failure to consider this statutory regime or seek clarification under Rule 131 vitiates the profiteering allegation amid clear jurisdictional overlap.

11.1 The DGAP has misconstrued Section 171 of the Central Goods and Services Tax Act, 2017 by presuming that every tax reduction must be passed on entirely in monetary terms, ignoring the statutory expression "commensurate," which permits consideration of other relevant factors such as inflation and increased operational costs; this interpretation stands contrary to the law laid down by the Delhi High Court in *Reckitt Benckiser India Private Limited & Ors. v. Union of India & Ors.* (MANU/DE/0566/2024), which held that price reduction is a rebuttable presumption and must be assessed case-specifically without any fixed formula. During the relevant period 01.01.2019 to 30.09.2019, the Respondent had, through letters dated 05.01.2019, 23.04.2019, 04.05.2019, 16.08.2019 and 26.08.2019 addressed to the Joint Collector, Sangareddy District, expressly cited increased expenditure and sought permission for specified periods and movies; however, the DGAP ignored these representations, treated heterogeneous films as homogeneous products, and failed to consider the Respondent's status as a single-screen theatre with fluctuating demand, thereby evidencing non-application of mind.

11.2 The DGAP has failed to take into consideration the exemption of Rs. 3/- per ticket as tax-free maintenance charges granted by the State Government. As per Paragraph I(ii) of the 2017 Government Order, the State Government permitted cinema owners to enhance tax-free maintenance charges from Rs. 3/- to Rs. 7/- per ticket for AC and Air-Cooled theatres and from Rs. 2/- to Rs. 5/- for non-AC theatres. The said charge was expressly classified as a "tax-free maintenance charge." Since the Respondent operates an AC cinema, it is entitled to charge Rs. 7/- per ticket; however, it has continued to levy only Rs. 3/- per ticket to remain competitive.

11.3 The Respondent claimed to have written several letters to the joint collector of Sangareddy District to charge increased prices for tickets during the relevant time period which should be excluded from the profiteering. The details of the letter written is as mentioned below.

S.No.	Date of Letter	Time Period	Movie Name	Total Sales
1	05.01.2019	09.01.2019 to 24.01.2019	NTR, Kathanauyukudu and F2	33,00,300/-
2	23.04.2019	09.05.2019 to 22.05.2019	Maharshi	31,11,390/-
	04.05.2019			
3	16.08.2019	30.08.2019 to 12.09.2019	Saaho	15,58,647/-
	26.08.2019			
	Total			79,70,335/-

12. A copy of the Respondent's submissions was forwarded to DGAP for clarification. The DGAP submitted that as regards the Respondent stand that the prices being charged by the Respondent is within the maximum permissible limit set by the Regulating Authority, i.e the State Government Section 171 of the Central Goods and Services Tax Act, 2017 clearly obligates every supplier to pass on the benefit of reduction in tax rate or input tax credit to the recipient by way of a commensurate reduction in prices, which necessarily implies an actual reduction in the final price payable by the consumer in monetary terms. In the present case, the DGAP has conclusively found that notwithstanding the reduction in GST rate w.e.f. 01.01.2019, the Respondent increased the base prices of cinema tickets, thereby nullifying the tax benefit and resulting in profiteering amounting to Rs. 19,86,640/- for the period 01.01.2019 to 30.09.2019. The contention that ticket prices are governed by the Cinemas Act is misconceived and untenable in light of the ruling in DGAP vs. Mallikarjuna Cinema Hall, 70 MM Hyderabad, wherein it was categorically held that while the statutory framework prescribes only a maximum ceiling, it does not curtail the discretion of theatre owners to reduce prices to pass on benefit of tax reduction, accordingly, the Respondent's submissions are devoid of merit and needs to be rejected.

- o On the contention that the DGAP misconstrued Section 171 of the Central Goods and Services Tax Act, 2017, it is submitted by the DGAP that the legal position stands clarified in DGAP vs. Mallikarjuna Cinema Hall, 70 MM Hyderabad, wherein reliance was placed upon the judgment of the Hon'ble Delhi High Court in Reckitt Benckiser India Pvt. Ltd. v. Union of India. The High Court has held that though a supplier is at liberty to determine base prices based on genuine commercial considerations, the benefit of tax reduction must ordinarily be reflected by way of commensurate reduction in prices. Any upward revision must be supported by cogent and credible evidence and cannot be a mere device to offset the tax benefit. The presumption of price reduction upon rate cut is rebuttable, but the burden lies upon the supplier. In the present case, the Respondent has failed to substantiate any cost escalation warranting an increase in base prices; hence, the contention lacks merit and is rejected.

- On the contention that the DGAP failed to consider the exemption of Rs. 3/- per ticket towards tax-free maintenance charges, it is observed that there exists no provision under the Central Goods and Services Tax Act, 2017, permitting exclusion of such amount from the taxable value for the purpose of levy of GST. Any amount collected in connection with the supply of admission to a cinema forms part of the transaction value and must be subjected to GST. Accordingly, the said Rs. 3/- per ticket was required to be included while discharging output tax liability and while determining the commensurate price reduction upon reduction of GST rates w.e.f. 01.01.2019. This position stands affirmed in DGAP vs. Mallikarjuna Cinema Hall, 70 MM Hyderabad, wherein it was categorically held that the maintenance charge forms part of the ticket value and GST is payable thereon. Therefore, the Respondent's contention lacks legal basis and is accordingly rejected.
- The Respondent advanced arguments in reply, and the Representative of the DGAP also filed clarifications dated 23.01.2026 (received via email) in response to the submissions made by the Respondent. The DGAP submitted that, in Para 1, the Respondent has merely furnished details of correspondence addressed to the Joint Collector, Sangareddy District, seeking permission for enhancement of ticket prices, which is a matter of record and does not call for any specific comments. In Para 2, reference has been made to the Tribunal's Order dated 16.12.2025 directing submission of quantified sales data for the relevant period; the same being factual in nature, requires no remarks. In Para 3, the Respondent has stated that raw ticket sales data had already been submitted vide email dated 26.04.2024, which is also a matter of record. In Para 4, the Respondent has furnished revenue details for the relevant period, which are purely factual submissions and do not warrant further comments.
- On the contentions of the Respondent that during the relevant time period, the prices of the tickets sold by the respondent had the due permission of the Licensing Authority under Telangana Cinemas Act, 1965, and requested the Hon'ble Tribunal that the same may be excluded from any calculation of profiteering it is observed by the DGAP that Section 171 of the Central Goods and Services Tax Act, 2017 clearly says that when the GST rate is reduced, the benefit must be passed on to customers by reducing the final price. In this case, as per the DGAP Report dated 03.05.2024 (as amended on 04.06.2024), the Respondent increased the base prices of tickets instead of reducing them after the GST rate cut. The Respondent argued that ticket prices are regulated under the State Cinemas Act. However, in DGAP vs. Mallikarjuna Cinema Hall, 70 MM Hyderabad and in DGAP vs Bhavya Construction Pvt Ltd (Brahmaramba Cinema), Hyderabad, the GSTAT held that State laws only fix the maximum ticket price and do not prevent reduction of prices after GST cuts. Central GST law prevails, and theatres must reduce prices accordingly. Since the Respondent did not show any clear proof of cost increase, the failure to pass on the benefit is not justified. Further, the DGAP has relied upon the judgement of the ***Hon'ble High Court of Telangana in para 17 of WP No. 4760 of 2021*** (M/s Sudarshan Theatre 35MM Vs. UOI) wherein the similar issue was dealt by the Hon'ble High Court and at para 17 of its Judgement held as follows:

### **“171. Anti-profiteering measure**

- Any reduction in rate of tax on any supply of goods and services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

*A plain reading of the said provision of law clearly indicates that the said provision has been introduced to ensure that the supplier of goods and services should not make profit from the reduction of the tax rate under the G.S.T. law. Rather the intention of the Government is that the moment the rate of tax under the G.S.T. is reduced, the benefit should immediately be passed on to the end-user by way of reduction in the prices commensurate with the reduction in the rate of tax. This, in other words, would mean that, the moment there is a cut in the rate of G.S.T., the price of the commodity or the services rendered has to be reduced automatically to the extent of the reduction in the rate of tax. If the supplier continues to sell the product at the same price particularly when the prices are inclusive of G.S.T., the respondent-Department or the beneficiary is not being benefitted by the Government’s decision in lowering the rate of tax. A reading of Sections 171 & 172 of the G.S.T. Act does not show any exception carved out in the event non-reduction in the price of the tickets, nor is the authority empowered to relax the conditions so enumerated under Section 171 (1). This, in other words, also mean that the provision of Sections 171 (1) has to be strictly adhered to. In the aforesaid context, when we look at the impugned order in the aforementioned admitted factual backdrop, we do not find any illegality so committed by the respondent-Authority which has passed the impugned order in Case No. 22/2020, dated 07.10.2020. Therefore, we do not find any merit in the writ petition and the same deserves to be and is accordingly dismissed. No costs.”*

Therefore, in view of the above judgement, the contentions of the Respondent is not acceptable and hence denied.

13. Personal Hearings in the matter were conducted on 24.09.2025, 14.10.2025, 04.11.2025, 16.12.2025, 28.01.2026 and on 12.03.2026. Shri Swapnil Srivastava, Advocate and Sh. Rishabh Periwal, Advocate appeared on behalf of the Respondent.
14. I have carefully examined the facts of the case, the contents of the DGAP’s report alleging anti-profiteering of Rs. 19,86,640/- by the Respondent as well as the written submissions made by the Respondent during the proceedings and the clarifications given on those submissions by the DGAP. It is an undisputed fact that the GST rate on Cinema Tickets was reduced with effect from 01.01.2019 vide Notification No. 27/2018-CT (Rate) dated 31.12.2018 for tickets priced at Rs. 101 or more, from 28% to 18%, and for tickets priced Rs. 100 or below, from 18% to 12%. It is also an undisputed fact that the Respondent had not reduced the Cinema Ticket prices after the reduction of GST rates with effect from 01.01.2019. The various contentions of the Respondent are examined below:

15. On the Respondent's claim that the prices being charged were within the maximum permissible limit fixed by the State Government under the relevant regulatory framework, it is observed that the provisions of Section 171 of the Central Goods and Services Tax Act, 2017 cast a statutory obligation upon every supplier to pass on the benefit of any reduction in the rate of tax or input tax credit to the recipients by way of commensurate reduction in prices. In this regard, Section 171 of the CGST Act, 2017 provides as under:

“Any reduction in rate of tax on any supply of Goods and Services or the benefit of input tax credit shall be passed on to the recipient by way of the commensurate reduction in prices”

A plain reading of the above provision makes it abundantly clear that any reduction in tax must necessarily result in a corresponding reduction in the price payable by the consumer.

In the present case, it is noted from the findings of the DGAP that despite reduction in the GST rate w.e.f. 01.01.2019, the Respondent did not reduce the ticket prices and, on the contrary, increased the base price of cinema tickets. As a result, the benefit of tax reduction was not passed on to the recipients, leading to profiteering amounting to Rs. 19,86,640/- for the period from 01.01.2019 to 30.09.2019.

The Respondent has sought to justify the same by contending that ticket prices are regulated under the Cinemas Act. However, In the case of DGAP vs. Mallikarjuna Cinema Hall, 70 MM, Hyderabad, it was held in para 28 as under:

*“The Cinemas Act, the Government orders and the judgment passed by the Hon'ble Telangana High Court, if read Page 21 of 34 together would only mean that the prices of ticket for admittance to Cinema Hall in the state of Telangana are monitored by a Committee which fixes the maximum price, beyond which a cinema owner cannot charge a person for admittance into a theatre to watch a cinematography film. However, the fixing of prices of a particular class, or any locality or particular show is the discretion of the theatre owners. As far as this discretion is concerned, it has not been tampered with or in any way restricted by the local law and Special law as mentioned above, except prescribing a higher limit. Moreover, Rs. 3/- additional charge of maintenance cost has to be included in the ticket as its Central law will take precedence and GST has to be calculated on this Rs. 3/-also. So, we do not find any substance in the contention raised by the Learned Counsel for the Respondent.”*

Further, the Hon'ble GSTAT, Single Bench, Court No. 3, in the matter of DGAP vs. Bhavya Construction Pvt. Ltd. (Brahmaramba Cinema), Hyderabad, vide judgment dated 07.01.2026, has held in para 15.1 as under:

*“The Respondent's reliance on the Telangana Cinemas (Regulation) Act, 1955, Government Orders fixing maximum ticket prices, and High Court orders permitting pricing subject to intimation does not absolve it of liability under Section 171 of the CGST Act. As held in Mallikarjuna Cinema Hall (NAPA/3/PB/2025 dated 12.09.2025), these State instruments merely prescribe an upper ceiling on prices and leave discretion with theatre owners for fixing rates within that limit for specific classes, localities or shows; they neither authorise nor provide for non-passing of GST rate reductions to consumers, nor override the central mandate of*

*commensurate price reduction. Further, Section 171 casts a clear obligation to pass on the benefit of reduction in the rate of tax by way of commensurate reduction in prices, and any such reliance on State-level cinema regulation statutes or governmental orders fixing only the maximum permissible ticket rates is, at best, a procedural and regulatory framework and not, by itself, a cogent basis to justify complete non-passing of tax benefits to consumers. A mere plea that they have acted in accordance with the State cinema law or that its tariffs were approved/within the notified ceiling cannot, explain why prices were not reduced even for a single day after the GST rate cut—or how such conduct can be reconciled with the central anti-profiteering mandate; Central law prevails, and the Respondent's compliance with State procedural limits cannot justify retention of tax benefits. The Respondent have not submitted any contemporaneous material demonstrating genuine commercial compulsions (such as quantified cost escalations) that made commensurate reduction impossible, which falls short of the standard of a clear, cogent and objective justification required to displace the presumption that the benefit of tax reduction ought to have flowed to the recipients.”*

In view of the above mentioned Judgment by Coordinate Benches of this Tribunal and considering that the facts of the present case are identical to the aforesaid cases, I find no merit in the contention of the Respondent.

15.1 The Respondent has further contended that the Hon’ble High Court of Telangana, vide Order dated 26.04.2019, permitted charging of higher ticket prices. The relevant portion of the said Order is reproduced below:

*“ In the view of the above submissions, this writ petition is being disposed of, in terms of order dated 28.06.2018 passed in W.P No. 21782 of 2018, directing the Respondent to allow the petitioners to run their respective cinema theatres as per the rates mentioned in their respective applications submitted to the Respondent concerned.”*

It is observed that the above Order relies upon an earlier Order dated 28.06.2018 passed in W.P. No. 21782 of 2018, the relevant extract of which reads as under:

*“During the course of hearing, learned counsel for the petitioner submits that the issue involved in the present writ petition is squarely covered by the Order dated 31.10.2016 in the W.P No. 19046 of 2014 and batch.’*

From the above, it is evident that the period covered in the said Writ Petitions pertains to the pre-GST regime and, therefore, the same does not advance the case of the Respondent in the context of the anti-profiteering provisions under the GST law.

15.2. Further, reliance is also placed on the judgment of the Hon’ble High Court of Telangana in Writ Petition No. 4760 of 2021 in the case of M/s Sudarshan Theatre 35 MM vs. Union of India, wherein it has been held in para 17 as under:

***“171 Anti-profiteering Measure***

*(1) Any reduction in rate of tax on any supply of goods and services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in price.*

*A plain reading of the said provision of law clearly indicates that the said provision has been introduced to ensure that the supplier of goods and services should not make profit from the reduction of the tax rate under the G.S.T. law. Rather the intention of the Government is that the moment the rate of tax under the G.S.T. is reduced, the benefit should immediately be passed on to the end-user by way of reduction in the prices commensurate with the reduction in the rate of tax. This, in other words, would mean that, the moment there is a cut in the rate of G.S.T., the price of the commodity or the services rendered has to be reduced automatically to the extent of the reduction in the rate of tax. If the supplier continues to sell the product at the same price particularly when the prices are inclusive of G.S.T., the respondent-Department or the beneficiary is not being benefitted by the Government's decision in lowering the rate of tax. A reading of Sections 171 & 172 of the G.S.T. Act does not show any exception carved out in the event non-reduction in the price of the tickets, nor is the authority empowered to relax the conditions so enumerated under Section 171 (1). This, in other words, also mean that the provision of Sections 171 (1) has to be strictly adhered to. In the aforesaid context, when we look at the impugned order in the aforementioned admitted factual backdrop, we do not find any illegality so committed by the respondent-Authority which has passed the impugned order in Case No. 22/2020, dated 07.10.2020. Therefore, we do not find any merit in the writ petition and the same deserves to be and is accordingly dismissed. No costs."*

In light of the above binding judicial pronouncements, the plea of the Respondent is found to be devoid of merit.

15.3 It is further observed that although the Respondent had addressed several letters to the Joint Collector, Sangareddy District, seeking permission to charge enhanced ticket prices, no permission letter or order authorizing such increase for the relevant period has been produced on record. Hence, the contention of the Respondent in this regard is liable to be rejected.

15.4 On the claim that the DGAP misconstrued the scope and ambit of Section 171 of the Central Goods and Services Tax Act, 2017 it is submitted that the legal position is already clear from the above referred decision in DGAP vs. Mallikarjuna Cinema Hall, 70 MM Hyderabad, which relied on the judgment of the Hon'ble Delhi High Court in Reckitt Benckiser India Pvt. Ltd. v. Union of India. The relevant portion of the decision is reproduced hereunder:

*"119 This Court is in agreement with the submission of learned Amicus Curiae that if there is any variation on account of other factors, such as any costs necessitating the setting off of such reduction of price, the same needs to be justified by the supplier. The inherent presumption that there must necessarily be a reduction in prices of goods and services is a rebuttable presumption. It is clarified that if the supplier is to assert*

*reasons for offsetting the reduction, it must establish the same on cogent basis and must not use it merely as a device to circumvent the statutory obligation of reducing the prices in a commensurate manner contemplated under section 171 of the Act, 2017. “*

The Hon’ble High Court has explained in that although a supplier can fix and revise base prices for genuine business reasons, the benefit of tax reduction must normally be passed on to customers by reducing prices. If prices are increased after a tax cut, the supplier must clearly prove with proper evidence that the increase was due to real cost escalation and not to cancel out the tax benefit. In this case, the Respondent has not produced any documentary evidence to justify increased costs. Therefore, the contention is without merit and stands rejected.

- Further, on the issue of Rs. 3/- per ticket collected as maintenance charges, I find that there is no provision under the Central Goods and Services Tax Act 2017 which allows this amount to be excluded from GST. Any amount collected as part of the cinema ticket is treated as part of the total ticket value and is taxable. Therefore, GST was required to be paid on this Rs. 3/- also, and it had to be considered while calculating the price after GST rate reduction from 01.01.2019.
- In view of the above discussions and findings, I hold that there is no flaw in the DGAP's methodology for computation profiteered amount under Section 171 of the CGST Act. There is no single fixed formula that fits every case, especially in the cinema business, where factors like different movies, show timings, weekdays vs. weekends, and ticket classes vary from hall to hall and case to case. It is pertinent to note that the Respondent never disputed the numbers or method of computation in Tables A and B during the hearings before the Bench. Thus, I hold that the Respondent has contravened the provisions of Section 171 of the CGST Act by not passing on the benefit of reduction in GST rates commensurately to the recipient and thus the Respondent has profiteered an amount of Rs. 19,86,640/-.
- The Respondent is now directed to deposit the full profiteered amount of Rs.19,86,640/- (which already includes the GST part) into the Consumer Welfare Funds. This should be split equally: 50% i.e. Rs.9,93,320/- along with the interest to the Central Consumer Welfare Fund, and the other 50% i.e. Rs.9,93,320/-, to the Telangana State Consumer Welfare Fund (or fully to the Central CWF if the State Consumer Welfare Fund is not available) along with the interest. The Respondent shall do so within 30 days from the date of this order.

16. It is further held that no penalty under Section 171(3A) of the CGST Act is imposable, because penalty provision came into force with effect from 01.01.2020, where as the contravention in the present case happened during 01.01.2029 to 30.09.2019. The jurisdictional Commissioners of CGST and SGST, along with the DGAP, will monitor the compliance this order.
17. A report in compliance of this order shall be submitted to the DGAP by the concerned Commissioner within a period of three months from the date of receipt of this order.
18. A copy of this order shall be supplied to the Respondent and to the concerned Commissioner CGST / SGST for necessary action.
19. This order is pronounced in open Court today.

(Sh. Anil Kumar Gupta)

**Dated: 25.03.2026**