GSTAT

Single Bench Court No. Court IV

NAPA/8/PB/2025

DG ANTI PROFITEERING, DIRECTOR GENERAL OF ANTI-PROFITEERING, DGAP	**.............Appellant**

Versus

ARJUN THEATRE 70MM	**.............Respondent**
Counsel for Appellant	**Counsel for Respondent**

Hon’ble Sh. A. Venu Prasad, 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. : ZA070010826000051H **Date of order :** 13/08/2026

1.	GSTIN/Temporary ID/UIN - 36AAFFR5148H1Z2	
2.	Appeal Case Reference no. - NAPA/8/PB/2025	Date - 23/01/2020
3.	Name of the appellant - DGAP , dgap.cbic@gov.in , 011-23741544	
4.	Name of the respondant - 1. Arjun Theatre 70MM , arjun70mm2001@gmail.com	
5.	Order appealed against -	
	(5.1) Order Type -	

	(5.2) Ref Number -	Date -
6.	Personal Hearing - 13/08/2026 06/08/2026 16/07/2026 20/05/2026 13/05/2026 15/04/2026 09/03/2026 03/02/2026 03/12/2025 15/10/2025 17/09/2025	
7.	Status of Order under Appeal - Confirmed – Order under Appeal is confirmed	
8.	Order in brief - The Respondent is directed to deposit the profiteered amount of Rs. 14,26,344/-, along with interest @ 18% thereon, for the period from the respective dates of collection of the excess amount from the recipients till the date of such deposit, in accordance with the provisions of Section 171(1) read with Rule 133(3)(c) of the CGST Rules, 2017. Since the recipients are not identifiable, 50% of the profiteered amount, along with the applicable interest, shall be deposited in the Central Consumer Welfare Fund, and the remaining 50%, along with the applicable interest, shall be deposited in the Telangana State Consumer Welfare Fund.	
Summary of Order		
9.	Type of order: Deposit in Consumer Welfare Fund/s	

Place: DELHI PB

Date: 13.08.2026

ORDER

1. The present proceedings arise from a reference received from the Standing Committee on Anti-profiteering on 05.08.2019, based on an application filed by the Principal Commissioner, Medchal Commissionerate, Medchal GST Bhawan, 11-4-649/B, Lakdi-Ka-Phool, Hyderabad- 500004 (hereinafter referred to as "the Complainant"), before the Standing Committee under Rule 128 of the Central Goods and Services Tax Rules (hereinafter referred to as "the CGST Rules, 2017"), alleging profiteering by M/s Arjun Theatres 70MM

Theatres, (M/s RK Builders) Plot No. 2, Survey No. 178, KPHB, Kukatpally, Hyderabad-500072 (hereinafter referred to as “the Respondent”) with respect to supply of "Services by way of admission to exhibition of cinematography films”.

2. The Complainant alleged that the Respondent did not pass on the benefit of reduction in the GST rate on the "Services by way of admission exhibition of cinematograph films where price of admission ticket is one hundred rupees or less", from 18% to 12% w.e.f. 01.01.2019, vide Notification No. 27/2018-Central Tax (Rate) dated 31.12.2018 (hereinafter referred to as “the Notification”) and instead, increased the base price to maintain the same cum-tax selling price.

3.The said complaint was examined by the Standing Committee on Anti-Profiteering and the same was forwarded to the Directorate General of Anti-Profiteering (hereinafter referred to as”the DGAP”) to initiate investigation and collect necessary evidence under Rule 129(1) of the CGST Rules, 2017.

4. Upon completion of the investigation, the DGAP submitted its report under Rule 129(6) of the CGST Rules, 2017 dated 21.01.2020 to the National Anti-Profiteering Authority (NAA), the erstwhile authority competent to adjudicate matters relating to anti-profiteering.

5. The observations and findings drawn by the DGAP are summarized as follows:

5.1. The period covered by the current investigation is from 01.01.2019 to 31.08.2019.

5.2. The DGAP observed that the GST rate applicable to ‘services by way of admission to exhibition of cinematograph films where the price of admission ticket is one hundred rupees or less 'was reduced from 18% to 12% w.e.f. 01.01.2019, vide Notification No. 27/2018-Central Tax (Rate) dated 31.12.2018. The DGAP accordingly held that, in terms of Section 171 of the CGST Act, 2017, the Respondent was required to maintain the pre-rate-reduction base price of the tickets and pass on the benefit of the reduction in GST rate by way of commensurate reduction in the price charged to the recipients.

5.3. The DGAP observed that the Respondent had increased the base price of the admission tickets when the GST rate was reduced from 18% to 12% w.e.f. 01.01.2019. The computation of the pre-rate-reduction base price, commensurate selling price and the profiteering amount was set out in Table-B of the DGAP Report as under: -

		01.12.2018 to 31.12.2018			**01.01.2019 to 31.08.2019**					
S No	Admission ticket	Total Taxable Value for ticket	Total No. of Ticket Sold	Amount Charged i.e Base Price (in Rs.)	Reduced GST Rate (%)	Commensurate Selling Price inclusive of Tax (in Rs.)	Actual price of Ticket inclusive of tax (in Rs.)	Profiteering Per ticket	No. of Tickets Sold	Total Profiteering
A	B	C	D	E=[C/D]	F	G=(E*112%)	H	I=H-G	J	K=J*I
1	Balcony	12,49,915	14,749	84.75	12%	94.92	100	5.08	82,265	4,18,297
							110	15.08	20,716	3,12,496
							125	30.08	1,541	46,361
							150	55.08	3,102	1,70,873
2	Total									**9,48,026**
3	Dress Circle	4,58,085	9,009	50.85	12%	56.95	60	3.05	44,984	1,37,239
							70	13.05	11,543	1,50,646
							90	33.05	830	27,432
							100	43.05	1,292	55,622
4	Total									**3,70,939**
5	First Class	2,60,644	10,252	25.42	12%	28.47	30	1.53	63,972	97,584
							40	11.53	849	9,785
6	Total									**1,07,369**
Grand Total (2+4+6)										**14,26,344**

5.4. Based on the aforesaid table, the DGAP observed that the Respondent had increased the base price of the admission tickets and had consequently not passed on the benefit of reduction in GST rate from 18% to 12% by way of commensurate reduction in the prices charged. The profiteering was quantified at Rs. 9,48,026/- in respect of Balcony tickets, Rs. 3,70,939/- in respect of Dress Circle tickets and Rs. 1,07,369/- in respect of First Class tickets, aggregating to Rs. 14,26,344/-.

5.5. In view of the above, the DGAP concluded that the benefit of reduction in GST rate from 18% to 12% w.e.f. 01.01.2019 had not been passed on to the recipients and that the Respondent had contravened the provisions of Section 171 of the CGST Act, 2017. The total amount of profiteering for the period from 01.01.2019 to 31.08.2019 was accordingly determined as Rs. 14,26,344/- (Rupees Fourteen Lakh Twenty-Six Thousand Three Hundred and Forty-Four only). The DGAP further observed that the Respondent had supplied the services only in the State of Telangana and that the recipients were not identifiable.

6. The Principal Bench of the Goods and Services Tax Appellate Tribunal (hereinafter referred to as “GSTAT”), constituted under sub-section (3) of Section 109 of the CGST Act, 2017, was empowered to examine anti-profiteering matters w.e.f. 01.10.2024, vide Notification No. 18/2024-Central Tax dated 24.02.2024.

7. A notice was issued to the Respondent calling upon it to file its written submissions against the DGAP Report dated 21.01.2020.

8. The Respondent in its written submissions dated 02.04.2026 and averred the following:

8.1. The Respondent submitted that initially, the erstwhile State of Andhra Pradesh had issued G.O. Ms. No. 100, Home (General-A) Department dated 26.04.2013, fixing the rates of admission to various classes of cinema theatres. The said Government Order was subsequently challenged before the Hon'ble High Court of Telangana in a batch of writ petitions. The Hon'ble High Court, after hearing the parties, set aside G.O. Ms. No. 100 dated 26.04.2013 vide common order dated 31.10.2016. It stated that:

10. Considering the facts and circumstances of the case and the interim orders passed by this Court earlier in some of the writ petitions, this Court is of the view that the present writ petitions can be disposed of with the following directions:

i) G.O.Ms.No.100, Home (General.A1) Department, dated 26.4.2013 is set aside.

ii) Both the Governments are directed to constitute their respective committees headed by the respective Principal Secretaries for Home. Insofar as the other members of the Committees are concerned, it is left open to the respective Principal Secretaries for Home to choose the exhibitors, distributors and other members to participate in the committee so as to adjudicate the issues involved in all the writ petitions.

iii) While taking decision, the committees are directed to consider the welfare of the cine-goers primarily and also the grievance of the exhibitors and distributors and frame the rules in accordance with law on or before 30.3.2017;

iv) If any decisions are taken and any G.O. is issued prior to 30.3.2017, the same shall become operative in nature.

v) The petitioners-theatres are permitted to run their respective theatres by collecting their proposed fares. However, it is made clear that the petitioners shall inform to the Authorities concerned as to the ticket rates, which they intend to collect in respect of all classes till adjudication of the issues in question by the respective committees.

vi) In some of the writ petitions, this Court issued interim orders permitting the petitioners therein to collect the rates as proposed in their applications, and to maintain separate account with regard to the difference amount in the rates collected by them. Those interim orders passed by this Court earlier in some of the writ petitions shall stand superseded. However, the authorities concerned are directed to take a decision with regard to the difference amounts maintained separately by the petitioners pursuant to the interim orders of this Court;

vii) *It is made clear that the petitioners in the writ petitions, in which there are no such earlier interim orders, shall approach the authorities* *concerned and inform them as to the rates of the tickets which they intend to collect.*

viii) All the petitioners are directed to pay the taxes proportionate to the proposed rates of the tickets."

8.2. The Respondent submitted that, while disposing of the said writ petitions, the Hon'ble High Court permitted the theatre owners to collect their proposed ticket fares, subject to informing the concerned authorities about the ticket rates. The Respondent relied upon the directions contained in the order dated 31.10.2016, whereby the theatre owners were permitted to run their respective theatres by collecting their proposed fares and were required to inform the concerned authorities of the ticket rates intended to be collected and to pay taxes proportionate to such proposed rates.

8.3. The Respondent submitted that, pursuant to the aforesaid directions of the Hon'ble High Court, it had been submitting applications/representations to the State Government, Home Department, from time to time whenever there was an increase in the ticket prices. It stated that the ticket rates were accordingly intimated to the concerned authorities in accordance with the procedure contemplated by the Hon'ble High Court.

8.4. It was further submitted that, after introduction of the GST regime in the year 2017, the GST rate applicable to movie tickets was initially 18%, which was duly implemented by the Respondent and intimated to the concerned authorities. The Respondent stated that, despite representations made by theatre owners to the State Government for fixation of theatre ticket prices, no decision was taken by the State Government, pursuant to which the theatre owners approached the Hon'ble High Court.

8.5. The Respondent relied upon the interim order dated 12.06.2019 passed by the Hon'ble High Court of Telangana in **W.P. No. 11338 of 2019**, submitting that the theatre owners were permitted to run their theatres by collecting their proposed fares, subject to informing the concerned authorities regarding the ticket rates and paying taxes proportionate to such rates. The Respondent accordingly relied upon the said order to justify the collection of the proposed ticket fares during the relevant period. The relevant portion is reproduced hereinbelow for the sake of brevity:

> *Following the same, there shall be direction to respondents to permit the petitioner theatre to run theatre by collecting its proposed fares. However, it is made clear that the petitioner shall inform to the authorities concerned as to the ticket rates, which it intends to collect in respect of all classes till adjudication of the issues in question by the respective committees.*
>
> *The petitioner shall approach the authorities concerned and inform them as to the rates of the tickets, which it intends to collect.*
>
> *The petitioner is directed to pay the taxes proportionate to the proposed rates of the tickets."*

8.6. The Respondent also relied upon the order dated 02.08.2019 passed by the Hon'ble High Court of Telangana in W.P. No. 18232 of 2019, submitting that similar directions were issued permitting the theatre owners to run their theatres by collecting their proposed fares, subject to informing the concerned authorities and paying taxes proportionate to the proposed rates.

8.7. The Respondent further submitted that the Central Government, vide Notification No. 27/2018-Central Tax (Rate) dated 31.12.2018, reduced the GST rate on movie tickets from 18% to 12% w.e.f. 01.01.2019. It was contended that, pursuant to the aforesaid orders of the Hon'ble High Court, the Respondent had increased the base price of the tickets and intimated the same to the concerned authorities from time to time. It was further submitted that, after the reduction of GST rate from 18% to 12%, the ticket price remained unchanged from 01.01.2019, which position was also intimated to the authorities.

8.8. The Respondent contended that, pursuant to the setting aside of G.O. Ms. No. 100 by the Hon'ble High Court, there was no order or proceeding of the State Government thereafter determining the ticket prices of cinema theatres. According to the Respondent, the Hon'ble High Court had permitted the theatre owners to determine and collect their proposed fares, subject to intimating the same to the concerned authorities. The Respondent stated that it had accordingly fixed the maximum prices of the tickets and intimated the same to the authorities from time to time, and that the prices so intimated were inclusive of GST @ 12%.

8.9. On the aforesaid basis, the Respondent submitted that there was no contravention of Section 171 of the CGST Act, 2017 and no profiteering on its part. It contended that the selling price of the tickets was within the permissible limit and in accordance with the prices fixed/intimated pursuant to the orders of the Hon'ble High Court and the concerned authorities. The Respondent further denied the allegation of profiteering and contended that the method and computation adopted in determining the profiteering/penalty were erroneous and legally unsustainable.

9. The DGAP vide clarifications dated 27.04.2026 submitted the following:

9.1. The DGAP submitted that, in terms of Section 171 of the CGST Act, 2017, any reduction in the rate of tax on any supply of goods or services or the benefit of input tax credit was required to be passed on to the recipient by way of commensurate reduction in prices. It was submitted that, where there was a reduction in the rate of tax, there necessarily had to be a corresponding reduction in the price of the goods or services so that the final price payable by the consumer was reduced. The DGAP stated that this was the legally prescribed mechanism for passing on the benefit of reduction in the rate of tax under the GST regime.

9.2. The DGAP submitted that the present matter had originated from a reference made by the Standing Committee on Anti-Profiteering on the basis of a complaint lodged by the Principal Commissioner, Medchal Commissionerate, Hyderabad, vide Minutes of Meeting dated 05.07.2019, received by the DGAP on 05.08.2019. It was alleged therein that the Respondent had not passed on the benefit of reduction in GST rate from 18% to 12% w.e.f. 01.01.2019 on movie tickets pursuant to Notification No. 27/2018-Central Tax (Rate) dated 31.12.2018. Accordingly, Notice of Initiation dated 14.08.2019 was issued and, on the basis of the information and documents furnished by the Respondent, investigation was conducted for the period 01.01.2019 to 31.08.2019, culminating in the Investigation Report dated 21.01.2020.

9.3. The DGAP further submitted that the Respondent itself had admitted that, even after reduction of the GST rate from 18% to 12%, the ticket prices remained unchanged from 01.01.2019, which necessarily implied that the base price of the tickets had been increased. The DGAP stated that its Investigation Report had also concluded that the base prices of the tickets were in fact increased by the Respondent and that the total profiteering arising on account of such increase during the period from 01.01.2019 to 31.08.2019 amounted to Rs. 14,26,344/-.

9.4. The DGAP submitted that, although the licensing authority may fix the maximum permissible rates of tickets, the obligation under Section 171 continued to rest upon the supplier, i.e. the Respondent, to reduce the ticket prices so as to pass on the benefit arising from the reduction in the rate of tax. The DGAP characterised such reduction as involving a sacrifice of revenue from the coffers of the Central and State Governments in the interest of ensuring that the benefit of tax reduction reaches the consumers.

9.5. The DGAP further relied upon the judgment of the Hon'ble High Court of Telangana in ***W.P. No. 4760 of 2021, M/s Sudarshan Theatre 35MM v. Union of India***, particularly paragraph 17 thereof. The DGAP submitted that the Hon'ble High Court had held that, upon reduction in the rate of GST, the benefit was required to be passed on to the end-user by way of commensurate reduction in prices. It was further observed therein that where there was a reduction in the GST rate, the price of the commodity or services was required to be reduced automatically to the extent of such reduction, and that Section 171(1) did not provide any exception permitting the supplier to continue selling at the same price merely because the prices were inclusive of GST.

9.6. The DGAP also relied upon the order dated 12.09.2025 passed by the GSTAT in ***DGAP v. Mallikarjuna Cinema Hall, 70 MM Hyderabad (Case No. NAPA/3/PB/2025)***. It was submitted that the Tribunal had observed that the Cinemas Act and the Government Orders did not provide for non-passing of the reduction in GST rates to consumers. The DGAP stated that the regulatory framework relating to cinema ticket prices merely operated to prescribe/monitor the maximum permissible ticket price and did not dispense with the statutory obligation under Section 171 to pass on the benefit of reduction in the rate of tax.

9.7. The DGAP further relied upon the judgment of the Hon'ble High Court of Delhi in ***Reckitt Benckiser India Pvt. Ltd. v. Union of India, 2024 SCC OnLine Del 588,*** as referred to in the aforesaid GSTAT order. The DGAP submitted that the Hon'ble High Court had held that the supplier was required to pass on the benefit of reduced tax to the consumer by way of commensurate reduction in prices. At the same time, the supplier was at liberty to determine its base price in accordance with relevant commercial and economic factors or applicable laws; however, any increase in price based on such factors was required to be genuine and not a mere device to circumvent the statutory requirement of commensurate reduction under Section 171.

9.8. The DGAP further submitted, relying upon the aforesaid judicial pronouncements, that if the supplier sought to justify a variation in price on account of factors other than the reduction in tax rate, the same was required to be established on a cogent basis and could not be used merely as a device to circumvent the statutory implications of Section 171 or to reduce the benefit required to be passed on to the consumers

10. Hearings in the matter were held on 15.10.2025, 03.12.2025, 03.02.2026, 09.03.2026, 15.04.2026, 13.05.2026, 20.05.2026, 16.07.2026 and 06.08.2026. Shri Ajay Tehlan, learned AAD, appeared on behalf of the DGAP. Shri Hitendra Nath Rath, Advocate-on-Record, and Ms. Lakshmi, learned Advocate, appeared on behalf of the Respondent.

Issues for determination

11. In view of the submissions made by the Respondent, the DGAP's report and clarification, and the material available on record, the following issues arise for determination:

(i) Whether the Respondent was liable to pass on the benefit of reduction in the GST rate from 18% to 12% w.e.f. 01.01.2019 in respect of the admission tickets, in terms of Section 171(1) of the CGST Act, 2017, by way of commensurate reduction in prices?

(ii) Whether the directions/orders passed by the Hon'ble High Court of Telangana permitting the Respondent to collect its proposed fares have any bearing on the Respondent's statutory obligation under Section 171(1) of the CGST Act, 2017?

(iii) Whether the profiteering amount of Rs. 14,26,344/- determined by the DGAP for the period 01.01.2019 to 31.08.2019 is correct and sustainable?

Determination of Issue (i)

12. We have carefully considered the DGAP Report dated 21.01.2020, the written submissions filed by the Respondent, the clarification furnished by the DGAP, and the material available on record. The issue that arises for our consideration is whether, consequent upon the reduction in the rate of GST from 18% to 12% w.e.f. 01.01.2019 in respect of "services by way of admission to exhibition of cinematography films where price of admission ticket is one hundred rupees or less", the Respondent was required to pass on the benefit of such reduction to the recipients by way of a commensurate reduction in the prices of the admission tickets.

13. At the outset, it would be appropriate to refer to Section 171(1) of the CGST Act, 2017, which reads as under:

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

14. The aforesaid provision imposes a statutory obligation upon the supplier to pass on to the recipient the benefit arising from any reduction in the rate of tax by way of a commensurate reduction in the price charged. Consequently, where the rate of

tax is reduced, the supplier cannot retain the benefit of such reduction by maintaining the existing cum-tax price through a corresponding increase in the pre-tax/base price.

15. In the present case, the rate of GST applicable to the relevant category of cinema admission tickets was reduced from 18% to 12% w.e.f. 01.01.2019, vide Notification No. 27/2018-Central Tax (Rate) dated 31.12.2018. The Respondent was providing admission to cinematography films under three categories of tickets, namely, Balcony, Dress Circle and First Class, having pre-rate-reduction cum-tax prices of Rs. 100/-, Rs. 60/- and Rs. 30/-, respectively. The issue that, therefore, falls for our consideration is whether the benefit arising from the aforesaid reduction in the GST rate was duly passed on to the recipients by way of a corresponding and commensurate reduction in the prices charged for such admission tickets.

16. The DGAP, upon examination of the price and sales data furnished by the Respondent, adopted the methodology of first determining the pre-rate-reduction base price of the admission tickets by excluding GST applicable at 18%, and thereafter comparing the same with the base price reflected in the prices charged by the Respondent after the GST rate was reduced to 12%. On this basis, the DGAP determined the commensurate selling prices that ought to have been charged w.e.f. 01.01.2019 by retaining the pre-rate-reduction base prices and applying GST at the reduced rate of 12%.

17. The computation undertaken by the DGAP reveals that, notwithstanding the reduction in the rate of GST, the Respondent had increased the base prices of the

admission tickets. In respect of the Rs. 100/- ticket, the base price increased from Rs. 84.75/- to Rs. 89.29/-; in respect of the Rs. 60/- ticket, from Rs. 50.85/- to Rs. 53.57/-; and in respect of the Rs. 30/- ticket, from Rs. 25.42/- to Rs. 26.78/-. Consequently, the commensurate selling prices, inclusive of GST @ 12%, worked out to Rs. 94.92/-, Rs. 56.95/- and Rs. 28.47/-, respectively, whereas the Respondent continued to charge Rs. 100/-, Rs. 60/- and Rs. 30/-, respectively. Thus, the reduction in the rate of GST did not translate into a corresponding reduction in the prices payable by the recipients.

18. We find the aforesaid methodology to be in consonance with the statutory mandate contained in Section 171(1) of the CGST Act, 2017. The requirement under the said provision is not merely that the supplier should discharge GST at the reduced rate; rather, the benefit arising from such reduction is required to be passed on to the recipient by way of a commensurate reduction in the price. Therefore, where the supplier increases the base price so as to neutralise the effect of the reduction in the rate of tax and continues to charge the same cum-tax price, the benefit arising from such reduction is effectively retained by the supplier instead of being passed on to the recipient. In the present case, by increasing the base prices of the tickets, the Respondent effectively neutralised the benefit arising from the reduction in the GST rate and thereby defeated the statutory mandate of Section 171.

19. The aforesaid interpretation is also supported by the decisions of this Tribunal in **Mallikarjuna Cinema Hall (supra)** and **DGAP v. Vishwanath Cinema (Case No. NAPA/25/PB/2025)**, wherein, while considering the applicability of Section

171 to cinema admission tickets governed by the regulatory framework applicable in Telangana, this Tribunal observed as follows:

28. The next two questions cast by us, are related in the sense that the Respondent has contended that the increase in price of the tickets was in line of the provision of Cinemas Act of the state of Telangana and then they charging of Rs. 3/- as non-taxable charge are also not absolving the Respondent from the violation of Section 171, CGST Act. The Cinemas Act and the Government orders passed there on does not provide for non-passing of the reduction of GST rates to the consumers. The Cinemas Act, the Government orders and the judgment passed by the Hon ble Telangana High Court, if read 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."

20. The aforesaid observation is squarely applicable to the facts of the present case. While the regulatory framework governing cinema ticket prices may prescribe or regulate the maximum permissible price of admission tickets, such regulation cannot be construed as dispensing with or overriding the statutory obligation cast upon the supplier under Section 171(1) of the CGST Act, 2017. The obligation to pass on the benefit arising from a reduction in the rate of tax operates independently and requires the supplier to ensure that such benefit is reflected in a commensurate reduction in the price payable by the recipient.

21. We further note that, upon examination of the data and documents furnished by the Respondent, the DGAP specifically found that the Respondent had increased the base prices of the admission tickets despite the reduction in the GST rate from 18% to 12%. The DGAP accordingly concluded that the benefit arising from such reduction had not been passed on to the recipients.

22. We are, therefore, of the considered view that, upon reduction of the GST rate from 18% to 12% w.e.f. 01.01.2019, the Respondent was statutorily required under Section 171(1) of the CGST Act, 2017 to pass on the resultant benefit to the recipients by way of a commensurate reduction in the prices of the admission tickets. The Respondent could not retain such benefit by increasing the base price and thereby maintaining the same cum-tax selling price.

23. Accordingly, we hold that the Respondent was liable to pass on the benefit arising from the reduction in the GST rate from 18% to 12% w.e.f. 01.01.2019 by way of a commensurate reduction in the prices of the admission tickets. Issue No. 1 is, accordingly, answered in the affirmative.

Determination of Issue (ii)

24. We have considered the submission of the Respondent that it was permitted by the Hon'ble High Court of Telangana to collect its proposed fares and that the ticket rates proposed by it were duly intimated to the concerned authorities. Even assuming that the Respondent had been permitted to collect such proposed fares upon due intimation to the competent authorities, such permission cannot be construed as authorising the Respondent to retain the benefit arising from a reduction in the GST rate, nor can it override the independent statutory obligation imposed under Section 171(1) of the CGST Act, 2017.

25. In this regard, it is also pertinent to note that, during the course of the proceedings, this Bench specifically directed the Respondent to place on record the relevant material evidencing its position before the competent authority. The relevant direction contained in the Daily Order dated 20.05.2026 reads as follows:

In view of this, the Respondent is directed to file clear and concise submissions in form of an affidavit pertaining only to the period of 01.01.2019 to 31.07.2019 along with relevant submissions submitted to the licencing authority i.e. Commissioner of Police, which ought to include replies received from the Commissioner of Police regarding tickets rates and sample tickets for the period of 01.01.2019 to 31.07.2019, with an advance copy to the DGAP."

26. The Respondent has also placed on record copies of certain representations addressed to the Commissioner of Police, Cyberabad Commissionerate, Hyderabad, seeking permission for enhancement of the rates of admission tickets for specified periods. One of the first such representation is dated 6.10.2018,

wherein the Respondent sought permission for enhancement of the ticket rates for the period from 11.10.2018 to 25.10.2018, at the following rates:

Due to heavy competition in the market new high budget films release time we want to increase the rate of admission from 11.10.2018 to 25.10.2018

Class	**No. Of seats**	**Existing rates**	**Proposed rates**
Balcony	401	100	100+ 18(GST) = 118
Dress circle	227	60	80.00

27. From the aforesaid documents, it is evident that the representations relied upon by the Respondent relate to specific and limited periods and constitute requests for enhancement of ticket rates for particular movies and specified dates. More importantly, the Respondent has not placed on record any reply, approval or sanction issued by the Commissioner of Police or any other competent authority evidencing acceptance of the proposed rates. Nor has the Respondent furnished any sample tickets corresponding to the aforesaid representations to establish that the proposed rates were actually permitted and charged pursuant to an approval of the competent authority. Accordingly, the representations, by themselves, do not establish either that the proposed rates were accepted or approved by the competent authority or that such rates were actually charged during the relevant period.

28. Even assuming that the Respondent had intimated its proposed rates to the competent authority, such intimation, in the absence of any material evidencing acceptance or approval thereof, cannot be construed as an exception to, or a dispensation from, the statutory mandate contained in Section 171(1) of the CGST

Act, 2017. The issue before us is whether the directions/orders of the Hon'ble High Court or the representations made by the Respondent could absolve it of its independent statutory obligation to pass on the benefit arising from the reduction in the rate of GST by way of a commensurate reduction in prices. In this regard, the judgment of the Hon'ble High Court of Telangana in ***Sudarshan Theatre 35MM v. Union of India, W.P. No. 4760 of 2021***, particularly paragraph 17 thereof, is directly relevant. The Hon'ble High Court, while examining the scope and operation of Section 171 of the CGST Act, observed as follows:

17. 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 and 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."

(Emphasis added)

29. The aforesaid observations of the Hon'ble High Court are directly relevant to the contention raised by the Respondent in the present case. The Hon'ble High Court has categorically held that Sections 171 **<u>and 172</u>** of the CGST Act do not provide for any exception in cases where there is no reduction in the price of tickets, nor is the authority empowered to relax the statutory conditions prescribed under Section 171(1). The statutory obligation to pass on the benefit arising from a reduction in the rate of GST by way of a commensurate reduction in prices, therefore, cannot be dispensed with merely on the ground that the theatre operator was permitted to collect its proposed fares.

30. Accordingly, the permission granted to the theatre owners to collect their proposed fares under the orders of the Hon'ble High Court cannot be construed as a permission to retain the benefit arising from the reduction in the rate of GST. The Respondent was independently required to comply with the statutory mandate contained in Section 171(1) of the CGST Act, 2017. Further, the absence of any

material evidencing acceptance or approval of the Respondent's proposed rates by the competent authority lends no support to the Respondent's contention.

31. In view of the foregoing discussion, we hold that the orders of the Hon'ble High Court of Telangana relied upon by the Respondent, as well as the representations submitted by it to the competent authority, do not absolve the Respondent of its independent statutory obligation under Section 171(1) of the CGST Act, 2017 to pass on the benefit of the reduction in the rate of GST by way of a commensurate reduction in prices.

32. Accordingly, Issue No. 2 is answered against the Respondent.

Determination of Issue No. 3

33. Having held, while deciding Issue Nos. 1 and 2, that the Respondent was required to pass on the benefit arising from the reduction in the GST rate from 18% to 12% w.e.f. 01.01.2019 by way of a commensurate reduction in the prices of the admission tickets, and that the orders of the Hon'ble High Court of Telangana relied upon by the Respondent did not absolve it of its statutory obligation under Section 171(1) of the CGST Act, 2017, we now proceed to examine the correctness of the quantification of profiteering made by the DGAP.

34. The DGAP, for determining the amount of profiteering, compared the pre-rate-reduction base prices of the admission tickets with the prices actually charged by the Respondent after 01.01.2019. The pre-rate-reduction base prices were arrived at by excluding GST @ 18% from the cum-tax prices, and the commensurate selling prices after the reduction in the rate of GST were determined by retaining the pre-rate-reduction base prices and applying GST @ 12%.

35. The DGAP ultimately quantified the total profiteering attributable to the Respondent at Rs. 14,26,344/- (Rupees Fourteen Lakh Twenty-Six Thousand Three Hundred and Forty-Four only) for the period from 01.01.2019 to 31.08.2019. The category-wise profiteering was determined at Rs. 9,48,026/- in respect of Balcony tickets, Rs. 3,70,939/- in respect of Dress Circle tickets and Rs. 1,07,369/- in respect of First-Class tickets.

36. The DGAP further observed that, on the basis of the details of outward supplies furnished by the Respondent, the relevant services had been supplied in the State of Telangana only. It was also observed that the recipients of the services were not identifiable, as no details of the individual consumers had been furnished.

37. We have examined the aforesaid computation in light of the findings recorded on Issue Nos. 1 and 2. The methodology adopted by the DGAP proceeds on the basis of the pre-rate-reduction base price and determines the corresponding commensurate selling price after applying GST at the reduced rate of 12%. The computation thereafter takes into account the actual number of tickets sold at the respective prices and the excess amount charged per ticket. We find the aforesaid methodology to be consistent with the statutory requirement under Section 171(1) of the CGST Act, 2017.

38. We further note that the Respondent has not demonstrated any specific error in the aforesaid computation warranting interference with the methodology adopted by the DGAP. In the absence of any cogent material establishing an error in the determination of the pre-rate-reduction base price, the commensurate selling price,

the number of tickets sold or the resultant amount of profiteering, the computation made by the DGAP merits acceptance.

39. Accordingly, we hold that the profiteering attributable to the Respondent on account of failure to pass on the benefit arising from the reduction in the GST rate from 18% to 12% during the period from 01.01.2019 to 31.08.2019 is correctly determined at Rs. 14,26,344/- (Rupees Fourteen Lakh Twenty-Six Thousand Three Hundred and Forty-Four only).

ORDER

40. The DGAP Report dated 21.01.2020 is hereby accepted.
41. The submissions made by the Respondent against the DGAP Report are hereby rejected.
42. The Respondent is directed to deposit the profiteered amount of Rs. 14,26,344/-, along with interest @ 18% thereon, for the period from the respective dates of collection of the excess amount from the recipients till the date of such deposit, in accordance with the provisions of Section 171(1) read with Rule 133(3)(c) of the CGST Rules, 2017. Since the recipients are not identifiable, 50% of the profiteered amount, along with the applicable interest, shall be deposited in the Central Consumer Welfare Fund, and the remaining 50%, along with the applicable interest, shall be deposited in the Telangana State Consumer Welfare Fund.
43. Since the period of investigation in the present case is from 01.01.2019 to 31.08.2019, i.e. prior to 01.01.2020, no penalty is leviable upon the Respondent under the applicable provisions. Accordingly, no penalty shall be levied upon the Respondent.

44. A copy of this Judgment shall be communicated to the concerned CGST/SGST Commissionerate for information, record and necessary action, if any.

45. Judgment pronounced in open Court today.

Digitally signed by ARABANDI VENU PRASAD
Date:13-08-2026 17:27:54 PM

(Sh. A. Venu Prasad)

Dated: 13.08.2026