GSTAT

<u>Single Bench Court No. Court IV</u>

NAPA/6/PB/2025

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

Versus

VIMAL 70MM, HYDERABAD	**.............Respondent**
Counsel for Appellant	**Counsel for Respondent**

<u>Hon'ble Sh. A. Venu Prasad, Member (Technical)</u>

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. : ZA070010826000052H **Date of order :** 13/08/2026

1.	GSTIN/Temporary ID/UIN - 36AAXPN3202A1ZY	
2.	Appeal Case Reference no. - NAPA/6/PB/2025	Date - 31/01/2020
3.	Name of the appellant - DGAP , dgap.cbic@gov.in , 011-23741544	
4.	Name of the respondant - 1. Vimal 70MM, Hyderabad , kvsridatta@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 28/01/2026 10/12/2025 12/11/2025 16/10/2025 18/09/2025	
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. 4,72,038/-, 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 complaint filed on 30.04.2019 by the Principal Commissioner, Medchal Commissionerate, Medchal GST Bhawan, 11-4-649/B, Lakdi-Ka-Pool, Hyderabad-500004 (hereinafter referred to as "the Complainant"), before the Standing Committee under Rule 128 of the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as "the CGST Rules, 2017"), alleging profiteering by M/s Vimal 70MM Theatre, Balanagar,

Hyderabad-500042 (hereinafter referred to as “the Respondent”) with respect to the supply of “Services by way of admission to exhibition of cinematography films”.

2. The Applicant 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 on 05.08.2019 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 31.01.2020 to the National Anti-Profiteering Authority (NAA), the erstwhile authority competent to examine matters relating to anti-profiteering.
5. The observations and findings drawn by the DGAP are summarized as follows:
   5.1. The period of investigation is **01.01.2019 to 31.07.2019.**
   5.2. The DGAP observed that the GST rate on “services by way of admission to exhibition of cinematography films where 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. Thereby, the

Respondent was bound to maintain the base price of the tickets and pass on the benefit of such reduction by charging GST at the reduced rate on the pre-rate-reduction base price.

5.3. During the period under investigation, i.e. 01.01.2019 to 31.07.2019, the Respondent sold tickets at Rs. 100/-, Rs. 60/- and Rs. 30/-, respectively, and the cum-tax prices of these three categories remained unchanged even after the reduction in the GST rate.

5.4. It was further observed that the Respondent had sold tickets at certain rates other than those mentioned above, namely Rs. 80/-, Rs. 110/- and Rs. 125/-, during specific brief periods. The Respondent submitted documentary evidence establishing that these enhanced rates were charged pursuant to the interim permission of the Hon'ble High Court of Telangana and that the same was duly intimated to the Commissioner of Police. Upon verification, the DGAP found the submissions to be correct and, accordingly, excluded the tickets sold at such rates from the computation of profiteering.

5.5. Thus, it was apparent that the Respondent had increased the base price of the admission tickets, whereas the GST rate had been reduced. The computation of the base price and the selling price is set out below:-

		01.12.2018 to 31.12.2018			**01.01.2019 to 31.07.2019**				

S. No	Category of admission ticket	Price of ticket inclusive of tax (in Rs.)	GST Rate (%)	Base price exclusive of tax (in Rs.)	Price of ticket inclusive of tax (in Rs.)	GST Rate (%)	Base price exclusive of tax (in Rs.)	commensurate base price	Price of ticket which was to be charged
A	**B**	**C**	**D**	**E= C/118 %**	**F**	**G**	**H**	**I=E**	**J= (I*112%)**
	Balcony Seats	100	18	84.74	100	12	89.28	84.74	94.91
	Second Class Seats	60	18	50.84	60	12	53.57	50.84	56.94
	Third Class Seats	30	18	25.42	30	12	26.78	25.42	28.47

5.6. Based on the aforesaid table, it was observed that the Respondent had increased the base price of the admission ticket of Rs. 100/- from Rs. 84.74 to Rs. 89.28, the price of the ticket of Rs. 60/- from Rs. 50.84 to Rs. 53.57, and the price of the ticket of Rs. 30/- from Rs. 25.42 to Rs. 26.78, whereas the same should have been revised to Rs. 94.91/- for the ticket of Rs. 100/-, Rs. 56.94/- for the ticket of Rs. 60/- and Rs. 28.47/- for the ticket of Rs. 30/-, inclusive of GST @ 12%

5.7. In view of the above, it was concluded that the benefit of the GST rate reduction from 18% to 12% in respect of “services by way of admission to exhibition of cinematography films” was not passed on to the recipients. Thus, the Respondent had contravened the provisions of Section 171 of the CGST Act, 2017.

5.8. Further, the quantification of the profiteering amount for the period from 01.01.2019 to 31.07.2019 is tabulated as under: -

		01.01.2019 TO 31.07.2019						
Sr.. No.	**Admission ticket**	**Base price charged (in Rs.)**	**Commensurate base price (in Rs.)**	**Excess amount charged per ticket**	**Excess tax charged per ticket**	**Profiteering per unit**	**Qty. sold**	**Total profiteering (including tax @12%)**
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
	Balcony seats	89.28	**84.74**	4.54	0.54	5.08	46999	238754.92
	Second class seats	53.57	**50.84**	2.73	0.33	3.06	45751	139998.06
	Third class	26.78	**25.42**	1.36	0.16	1.52	61372	93285.44
	Grand Total							**472038**

5.9. The total amount of profiteering was computed as Rs. 4,72,038/- (Rupees Four Lakh Seventy-Two Thousand and Thirty-Eight only). The DGAP further observed that the Respondent had supplied the aforesaid services in the State of Telangana only and that the recipients were not identifiable, as no details of the consumers had been provided.

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 31.01.2020.

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, prescribing 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.

8.2. The Respondent submitted that, while disposing of the said writ petitions, the Hon'ble High Court permitted the theatre owners to collect the proposed ticket fares, subject to informing the concerned authorities about the ticket rates. The Respondent relied upon the following directions contained in the order dated 31.10.2016:

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."

8.3. The Respondent submitted that, pursuant to the aforesaid directions, 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 was stated that the Respondent had accordingly been intimating the ticket rates to the concerned authorities in accordance with the procedure contemplated by the Hon'ble High Court.

8.4. It was further submitted that, after the 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 the 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**, wherein, according to the Respondent, the theatre owners were permitted to collect their proposed fares subject to informing the concerned authorities regarding the ticket rates and paying taxes proportionate to such rates. The relevant portion of the said order, as relied upon by the Respondent, reads as follows:

> *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 a similar direction had been 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 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 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 at 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.

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

9.1. The DGAP submitted that, where there is a reduction in the rate of tax, there must be a commensurate reduction in the price of the goods or services, so that the final price payable by the consumer should be reduced. It was stated that this is the legally prescribed mechanism for passing on the benefit of reduction in the rate of tax under the GST regime.

9.2. The DGAP further pointed out that the Respondent had admitted that, even after the reduction of GST rate from 18% to 12%, the ticket prices remained unchanged from 01.01.2019, which implied that the base prices had been increased. The DGAP reiterated its finding in the Investigation Report that the Respondent had, in fact, increased the base prices of the tickets and that the total profiteering on this account for the period from 01.01.2019 to 31.07.2019 amounted to Rs. 4,72,038/-.

9.3. The DGAP submitted that although the licensing authority may fix the maximum permissible prices of tickets, the obligation under Section 171 to pass on the benefit of reduction in the tax rate accrues upon the supplier. It contended that, accordingly, the Respondent was required to reduce the ticket prices commensurately upon reduction of the GST rate.

9.4. The DGAP also relied upon the judgment of the Hon'ble High Court of Telangana in ***M/s Sudarshan Theatre 35MM v. UOI W.P. No. 4760 of 2021,*** particularly paragraph 17 thereof, wherein the Hon'ble High Court observed that Section 171 of the CGST Act, 2017 has been enacted to ensure that the benefit arising from reduction in the rate of GST is passed on to the end-user by way of commensurate reduction in prices. The Hon'ble High Court further held that where prices are inclusive of GST, continuation of the same price despite reduction in the tax rate would deprive the consumer of the benefit intended by the Government. It was also observed that Sections 171 and 172 do not provide any exception in cases of non-reduction in the price of cinema tickets, nor is the authority empowered to relax the requirements of Section 171(1), which is required to be strictly adhered to. Accordingly, the Hon'ble High Court found no illegality in the impugned anti-profiteering order and dismissed the writ petition

9.5. The DGAP further relied upon the order of the GSTAT in ***DGAP v. Mallikarjuna Cinema Hall, 70 MM Hyderabad (Case No. NAPA/3/PB/2025)*** dated 12.09.2025, wherein, the Tribunal observed that the Telangana Cinema (Regulation) Act, 1955 and the Government orders did not provide for non-passing on of the benefit arising from the reduction in GST rates to consumers. It was observed that the relevant statutory and governmental framework merely regulated the maximum ticket price, while the fixation of prices within the permissible limit remained with the theatre owners.

9.6. The DGAP also referred to Section 171(1) of the CGST Act, 2017 and the judgment of the Hon'ble Delhi High Court in ***Reckitt Benckiser India Pvt. Ltd. v. Union of India & Ors., 2024 SCC OnLine Del 588.*** The DGAP relied upon the principle that, although a supplier may vary its base price in accordance with relevant commercial and economic factors, any such increase must be genuine and cannot be used as a device to circumvent the statutory obligation of passing on the benefit of reduction in the rate of tax by way of commensurate reduction in prices.

10. Hearings in the matter were held on 19.03.2024, 18.09.2025, 10.12.2025, 09.03.2026, 15.04.2026, 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. 4,72,038/- determined by the DGAP for the period 01.01.2019 to 31.07.2019 is correct and sustainable?

Determination of Issue (i)

12. We have carefully considered the DGAP Report dated 31.01.2020, the written submissions filed by the Respondent, the clarification furnished by the DGAP and the material available on record. The issue arising for 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 commensurate reduction in the prices of the admission tickets.

13. At the outset, it is pertinent 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 casts a statutory obligation upon every supplier to pass on the benefit arising from a reduction in the rate of tax to the recipient by way of a commensurate reduction in prices. Thus, upon reduction in the rate of tax, the supplier cannot retain the resultant benefit by maintaining the same final price through an 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 had three categories of admission tickets, namely, Balcony, Second Class and Third Class, having prices of Rs. 100/-, Rs. 60/- and Rs. 30/-, respectively. The question, therefore, is whether the benefit arising from the aforesaid reduction in the rate of GST was passed on to the recipients through a corresponding reduction in the prices charged.

16. The DGAP, upon examination of the price and sales data furnished by the Respondent, adopted the methodology of determining the base price of the tickets during the pre-rate-reduction period by excluding GST @ 18% and thereafter

comparing the same with the base price actually charged after the GST rate was reduced to 12%. The DGAP accordingly determined the commensurate prices that ought to have been charged after 01.01.2019 by retaining the pre-rate-reduction base prices and applying GST @ 12%.

17. The computation made by the DGAP demonstrates that, despite the reduction in the GST rate, the Respondent had increased the base prices of the admission tickets. In respect of the Rs. 100/- ticket, the base price increased from Rs. 84.74/- to Rs. 89.28/-; in respect of the Rs. 60/- ticket, from Rs. 50.84/- to Rs. 53.57/-; and in respect of the Rs. 30/- ticket, from Rs. 25.42/- to Rs. 26.78/-. Consequently, while the commensurate prices inclusive of GST @ 12% worked out to Rs. 94.91/-, Rs. 56.94/- and Rs. 28.47/-, respectively, the Respondent continued to charge Rs. 100/-, Rs. 60/- and Rs. 30/-. Thus, the reduction in the rate of GST did not result in a corresponding reduction in the prices charged to the recipients.

18. The aforesaid methodology is consistent with the statutory requirement of passing on the benefit by way of a commensurate reduction in prices. **The object of Section 171(1) is not merely to ensure that the supplier charges GST at the reduced rate, but also to ensure that the benefit arising from such reduction actually reaches the recipient. Where the supplier increases the base price so as to maintain the same cum-tax selling price, the benefit of the reduction in tax is effectively retained by the supplier and is not passed on to the recipient. The respondent defeated the intention of the legislature by increasing the base price.**

19. The aforesaid position is also supported by the decision 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 ticket prices governed by the Telangana regulatory framework, 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."*

(Emphasis added)

20. The aforesaid observation is particularly relevant to the present matter. The regulatory framework governing cinema ticket prices may prescribe or regulate the maximum permissible price of admission tickets; however, such regulation does not dispense with or override the statutory obligation imposed under Section 171(1) of the CGST Act, 2017. The obligation to pass on the benefit of reduction in the rate of tax operates independently and requires the supplier to ensure a commensurate reduction in the price payable by the recipient.

21. We also note that the DGAP, after examining the Respondent's data and the prices charged during the relevant period, specifically found that the Respondent had increased the base prices while the GST rate stood reduced from 18% to 12%. The DGAP accordingly concluded that the benefit of the GST rate reduction had not been passed on to the recipients. The tickets sold at other rates, namely Rs. 80/-, Rs. 110/- and Rs. 125/-, were separately examined by the DGAP and, upon verification of the supporting documents, were excluded from the profiteering computation. Thus, the determination of profiteering was confined to the prices in respect of which the DGAP found that the benefit of tax reduction had not been passed on.

22. We are, therefore, of the considered view that once the GST rate was reduced 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 the benefit of such reduction by increasing the base price and 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 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 it had intimated the ticket rates to the concerned authorities. Even assuming that the Respondent had duly intimated and was permitted to collect such proposed fares, such permission cannot be construed as permitting retention of the benefit arising from reduction in the GST rate, nor can it override the independent statutory mandate contained in 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 had specifically directed the Respondent to place on record material evidencing the 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 few representations addressed to the Commissioner of Police, Cyberabad Commissionerate, Hyderabad, seeking permission for enhancement of the rates of entry tickets for specific periods. The first representation is dated 19.12.2019, wherein the Respondent requested enhancement of the entry ticket rates for the period from 09.01.2020 to 23.01.2020, in respect of the following rates:

It is respectfully submitted that, our theatre obtained Form-B licence from your good offices and as per the government prescribed rates we cannot bear the expenses of viz., staff salaries, electricity bill, sanitary expenses, picture screen expenses, machinery maintenance, etc as they have become excess. Thus due to the above expenses we are facing hardship in running the theatre.

For the above said reasons I/we request your good offices to allow us to enhance rates of the entry tickets from 09-01-2020 to 23-01-2020. For following Movies KRACK, RED, Master & Alludu Adurs.

The details of the proposed rates to be enhanced are given below:

Class	**No. of Seats**	**Existing Rates**	**Proposed Rates**
Diamond Circle	582	97 + 3 = Rs. 100-00	122 + 3 = Rs. 125-00
Emerald Circle	226	57 + 3 = Rs. 60-00	87 + 3 = Rs. 90-00
Ruby Circle	202	27 + 3 = Rs. 30-00	37 + 3 = Rs. 40-00

27. The Respondent has further placed on record another representation dated 04.01.2021, addressed to the Commissioner of Police, Cyberabad Commissionerate, Hyderabad, seeking permission to enhance the rates of entry tickets for the period from 09.01.2021 to 28.01.2021, in respect of the following rates:

It is respectfully submitted that, our theatre obtained Form-B licence from your good offices and as per the government prescribed rates, we cannot bear the expenses of viz., staff salaries, electricity bill, sanitary expenses, picture screen expenses, machinery maintenance, etc as they have become excess. Thus, due to the above expenses we are facing hardship in running the theatre.

For the above said reasons I/we request your good offices to allow us to enhance rates of the entry tickets from 09-01-2021 to 28-01-2021. For following Movies KRACK, RED, Master & Alludu Adurs.

The details of the proposed rates to be enhanced are given below:

Class	**Existing Rates**	**Proposed Rates**
Diamond Circle	97 + 3 = Rs. 100-00	147 + 3 = Rs. 150-00
Emerald Circle	57 + 3 = Rs. 60-00	97 + 3 = Rs. 100-00
Ruby Circle	27 + 3 = Rs. 30-00	47 + 3 = Rs. 50-00

28. From the above, it is evident that the aforesaid representations pertain to specific and limited periods subsequent to the period under investigation and were requests seeking enhancement of ticket rates for particular movies and specified dates. More importantly, the Respondent has placed on record no reply, approval or sanction

from the Commissioner of Police/competent authority evidencing acceptance of the proposed rates. The Respondent has also not furnished any sample tickets corresponding to the aforesaid representations to establish that the proposed rates were in fact permitted and actually charged pursuant to any approval of the competent authority. Therefore, these representations, by themselves, do not establish that the rates proposed therein were accepted or approved by the competent authority, nor do they establish the rates actually charged during the relevant period.

29. It is also pertinent to note that the reduction in the rate of GST from 18% to 12% came into effect on 01.01.2019. However, the Respondent has placed on record representations addressed to the Commissioner of Police, Hyderabad, seeking enhancement of the ticket rates only from 23.04.2019 onwards. Thus, during the period immediately following the effective date of the GST rate reduction, the Respondent neither approached the competent authority seeking enhancement of the ticket rates nor reduced the prices commensurate with the reduced rate of GST. Instead, the Respondent increased the base price of the tickets so as to maintain the same cum-tax selling price. This conduct clearly demonstrates that the benefit arising from the reduction in the GST rate was not passed on to the recipients by way of a commensurate reduction in the prices, as mandated under Section 171(1) of the CGST Act, 2017.

30. More importantly, even assuming that the Respondent had intimated its proposed rates to the competent authority, such intimation, in the absence of any acceptance or approval thereof, cannot be construed as an exception to the statutory mandate

contained in Section 171(1) of the CGST Act, 2017. The question before us is whether the directions/orders of the Hon'ble High Court or the representations made by the Respondent could absolve it from its independent statutory obligation to pass on the benefit arising from the reduction in the rate of GST by way of commensurate reduction in prices. In this regard, the judgment of the Hon'ble High Court of Telangana in S***udarshan 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)

31. The aforesaid observations of the Hon'ble High Court are directly applicable to the contention raised by the Respondent in the present case. The Hon'ble High Court has categorically held that Sections 171 and 172 of the CGST Act do not provide for any exception in the event of non-reduction in the price of tickets, nor is the authority empowered to relax the conditions prescribed under Section 171(1). The statutory requirement of passing on the benefit of reduction in the rate of GST by way of commensurate reduction in prices, therefore, cannot be dispensed with on the ground that the theatre operator was permitted to collect its proposed fares.

32. Thus, the permission to collect the proposed fares under the orders of the Hon'ble High Court cannot be construed as permission to retain the benefit arising from a reduction in the rate of GST. The Respondent was required to comply independently with the statutory mandate contained in Section 171(1) of the CGST Act, 2017. The absence of any evidence showing acceptance of the Respondent's

representations by the competent authority further weakens the Respondent's contention.

33. In view of the foregoing discussion, we hold that the orders of the Hon'ble High Court of Telangana relied upon by the Respondent, and the representations submitted by it to the competent authority, do not absolve the Respondent of its statutory obligation under Section 171(1) of the CGST Act, 2017.

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

Determination of Issue no (iii)

35. Having held, while deciding Issues No. 1 and 2, that the Respondent was required to pass on the benefit of reduction in the GST rate from 18% to 12% by way of commensurate reduction in the prices of the admission tickets and that the directions/orders of the Hon'ble High Court of Telangana relied upon by the Respondent did not absolve it of such statutory obligation, we now proceed to examine the correctness of the quantification of profiteering made by the DGAP.

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

37. On the basis of the aforesaid methodology, the DGAP determined the excess amount charged per ticket and the corresponding profiteering for the quantity of tickets sold during the relevant period. The DGAP also examined the tickets sold

at other rates, including Rs. 80/-, Rs. 110/- and Rs. 125/-, and, upon verification of the documents furnished by the Respondent, excluded the transactions which were found to have been correctly accounted for from the computation.

38. The DGAP ultimately quantified the total profiteering attributable to the Respondent at Rs. 4,72,038/- (Rupees Four Lakh Seventy-Two Thousand and Thirty-Eight only) for the period from 01.01.2019 to 31.07.2019. The DGAP further observed that the Respondent had supplied the relevant services in the State of Telangana only and that the recipients were not identifiable, as no details of the consumers had been furnished.

39. 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 price after applying GST at the reduced rate of 12%. The computation thereafter takes into account the actual quantity of tickets sold and the excess amount charged per ticket. We find the methodology to be consistent with the statutory requirement under Section 171(1) of the CGST Act, 2017.

40. We further note that the Respondent has not demonstrated any specific error in the aforesaid computation which would warrant our interference with the methodology adopted by the DGAP. In the absence of any cogent material establishing an error in the determination of the base price, commensurate price, quantity sold or the resultant amount of profiteering, the computation made by the DGAP merits acceptance.

41. Accordingly, we hold that the profiteering attributable to the Respondent on account of failure to pass on the benefit of reduction in the GST rate from 18% to 12% during the period from 01.01.2019 to 31.07.2019 is correctly determined at Rs. 4,72,038/-.

42. Issue No. 3 is accordingly answered in the affirmative.

ORDER

43. The DGAP Report dated 31.01.2020 is hereby accepted.

44. The objections/submissions made by the Respondent against the DGAP Report are hereby rejected.

45. The Respondent is directed to deposit the profiteered amount of Rs. 4,72,038/-, 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.

46. Since the period of investigation in the present case is from 01.01.2019 to 31.07.2019, 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.

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

48. Judgment pronounced in open Court today.

Digitally signed by ARABANDI VENU PRASAD
Date:13-08-2026 17:26:01 PM

(Sh. A. Venu Prasad)

Dated: 13.08.2026