



One Nation, One Tax - But Whose Jurisdiction?

JUNE 06, 2026

By Ashwarya Sharma, Advocate



1. Introduction

THE introduction of GST was envisioned as a transformative reform designed to create a seamless national market governed by a harmonised indirect tax framework. The idea of "One Nation, One Tax" sought to remove fiscal barriers between States and facilitate smooth inter-State trade and commerce. However, as GST litigation continues to evolve, courts are increasingly being required to examine whether such legislative harmonisation has also translated into jurisdictional clarity.

One of the most significant controversies emerging in recent years concerns the scope of authority exercisable by the "proper officer" under the GST enactments, particularly in relation to inter-State movement of goods passing through intermediary States. The issue becomes especially important where the State through which goods merely transit has no fiscal stake in the transaction, yet proceeds to invoke detention, confiscation, and penalty provisions under Sections 129 and 130 of the GST laws.

The Hon'ble Andhra Pradesh High Court in *Golden Traders & Ors. V. Deputy Asst. State Tax and Ors.* ([2026-TIOL-508-HC-AP-GST](#)) had earlier examined the contours of such jurisdiction and raised important limitations on the powers of intermediary States in transit situations. The controversy has now received further judicial attention from the Hon'ble Allahabad High Court in *Maruti Enterprises Vs State Of U P And Another* ([2026-TIOL-697-HC-ALL-GST](#)), where substantially similar issues came to be considered.

Together, these judgments revisit a foundational issue under GST - whether cross-empowerment provisions create unrestricted pan-India enforcement powers, or whether jurisdiction must continue to remain anchored to statutory assignment, territorial nexus, and revenue implications. The emerging judicial trend appears to favour the latter approach and may well shape the future contours of GST enforcement jurisprudence.

2. Factual Matrix Before the Allahabad High Court

The petitioner was registered under the Delhi GST Act and had purchased dried Areca nuts from a supplier registered under the West Bengal GST Act. The goods commenced their journey from West Bengal and were destined for New Delhi. The transportation was accompanied by tax invoices and related statutory documents.

When the goods reached District Gautam Buddh Nagar (Noida) in the State of Uttar Pradesh and were about to enter Delhi, the vehicle was intercepted by GST authorities of the State of Uttar Pradesh. The authorities alleged deficiencies in the accompanying documents and proceeded to initiate detention and penalty proceedings under section 129 of the UP GST Act.

The controversy therefore arose in the context of a transaction involving inter-State movement of goods between West Bengal and Delhi, where the State of Uttar Pradesh was merely functioning as a transit State through which the goods happened to pass.

3. Core Issues Before the High Court

The High Court framed two principal questions for consideration.

First, whether the State GST authorities of Uttar Pradesh possessed jurisdiction to detain goods and impose penalties under the IGST Act, the Central GST Act, and the State GST enactment in relation to inter-State transactions originating in one State and terminating in another State merely because the goods were transiting through Uttar Pradesh.

Second, whether Sections 6, 68, and 129 of the State and Central enactments read with Sections 4 and 20(3) of the IGST Act and Rules 138A, 138B, and 138C of the GST Rules conferred authority upon GST officers of Uttar Pradesh to initiate such proceedings in transit situations.

The dispute therefore directly involved the scope of cross-empowerment and the territorial reach of enforcement jurisdiction under the GST regime.

4. Contentions Raised by the Petitioners

The petitioners strongly relied upon the constitutional guarantee of free inter-State trade protected under Article 301 of the Constitution of India. It was argued that while reasonable restrictions may be imposed by legislation, no statutory provision presently exists empowering GST authorities of Uttar Pradesh to detain or penalise goods involved in inter-State trade between two other States merely because those goods pass through Uttar Pradesh.

It was contended that the GST framework does not create jurisdiction in favour of every transit State to undertake coercive enforcement proceedings in relation to transactions having no taxable nexus with that State. According to the petitioners, permitting such exercise of jurisdiction would fundamentally undermine the constitutional protection available to free trade and commerce across States.

The petitioners further argued that neither the Central GST Act nor the IGST Act confers jurisdiction upon authorities of Uttar Pradesh to adjudicate upon alleged deficiencies relating to transactions originating in West Bengal and terminating in Delhi. At best, the authorities could inspect or verify goods in transit; however, they could not proceed to detain, confiscate, or impose penalties in the absence of a taxable event arising within the State.

5. Stand Taken by the State of Uttar Pradesh

The State defended the detention proceedings by heavily relying upon Sections 68 and 129 of the GST enactments read with Rules 138A, 138B, and 138C of the GST Rules. It was contended that the GST scheme incorporates the concept of cross-empowerment, enabling State authorities to exercise powers under the Central enactments as well as the IGST framework.

Reliance was also placed upon Section 4 of the IGST Act read with Section 20(xv) of the IGST Act to argue that State GST authorities are fully empowered to detain goods transported in contravention of statutory requirements even if the transaction relates to inter-State trade. The State further argued that absence of prescribed e-tax invoices and discrepancies in documentation justified the detention proceedings. According to the department, once mandatory documents were absent or defective, the goods ceased to enjoy statutory protection and became liable for detention and penalty.

The State also argued that Article 301 does not prohibit reasonable regulatory restrictions designed to prevent tax evasion and that such enforcement measures fall within legislative competence.

6. Discussion and Findings of the Allahabad High Court

6.1 Constitutional Perspective and Scope of Inquiry

At the outset, the High Court clarified that it was not examining the constitutional validity of the statutory provisions in question. The Court accepted the settled proposition that reasonable restrictions may legitimately be imposed upon free trade under Article 301 of the Constitution.

However, the real issue before the Court was whether the statutory framework actually conferred jurisdiction upon GST authorities of Uttar Pradesh to undertake detention and penal proceedings in relation to inter-State trade transactions between two other States where Uttar Pradesh merely functioned as a transit State. The Court therefore confined its inquiry to determining the extent of statutory authority available under the GST enactments.

6.2 Scope of Sections 68 and 129 of GST Laws

Upon examining Sections 68 and 129 of the GST enactments, the Court observed that the statutory scheme undoubtedly empowers authorities to inspect and verify goods in transit and also mandates prescribed documentation to accompany such movement.

The Court recognised that GST authorities of a **transit** State may validly stop vehicles, inspect documents, and undertake physical verification of goods even where no tax liability ultimately arises within that State. Such regulatory checks were held to constitute permissible and reasonable restrictions under the constitutional framework. Importantly, however, the Court drew a distinction between the power to inspect and the power to initiate coercive penal proceedings.

6.3 Cross-Empowerment Under GST and Its Limits

The principal argument advanced by the State was based upon the concept of **cross-empowerment** contained in Section 6 of the GST enactments read with Section 4 of the IGST Act. Rejecting the expansive interpretation suggested by the department, the Court held that cross-empowerment cannot be read as conferring unrestricted jurisdiction upon authorities of every State in relation to all inter-State transactions.

The Court clarified that cross-empowerment exists primarily between Central authorities and State authorities operating within the same territorial State and with respect to taxable transactions occurring in that State. Such empowerment does not create **horizontal jurisdiction** between authorities of different States.

6.4 Revenue Nexus and Absence of Tax Incidence

A crucial aspect of the judgment concerns the Court's emphasis on fiscal nexus and tax incidence. The Court observed that in the present transaction no levy under the IGST Act, the Central GST Act, or the State GST enactment could ever arise within the State of Uttar Pradesh. The transaction neither originated nor terminated there.

Accordingly, while authorities of Uttar Pradesh could inspect the goods and communicate any discrepancies to the competent authorities in West Bengal or Delhi, they could not proceed further to detain goods, confiscate them, or impose penalties. The Court held that deficiencies relating to e-tax invoices or supplier registration status were matters to be examined by jurisdictionally competent authorities and not by officers functioning in a mere transit State.

6.5 Article 301 and Protection Against Multiple Enforcement Actions

The Court also highlighted the serious constitutional consequences that could arise if transit States were permitted to exercise unrestricted penal jurisdiction. It observed that if such authority were recognised, goods transported from say Kerala to Jammu & Kashmir could potentially be exposed to repeated detention and penalty proceedings in every State through which they transit. Such a situation would amount to a substantial infringement upon the constitutional guarantee of free inter-State trade under Article 301.

The Court therefore concluded that unless a clear element of tax levy or revenue nexus exists within the State seeking to exercise enforcement powers, such jurisdiction cannot be constitutionally sustained.

6.6 Following the Andhra Pradesh High Court Decision in Golden Traders

An important aspect of the Allahabad High Court judgment is that it substantially follows and reinforces the principles earlier laid down by the Andhra Pradesh High Court in **Golden Traders (above)**. In *Golden Traders*, the Andhra Pradesh High Court had similarly examined whether officers of an intermediary State could invoke detention and confiscation powers under Sections 129 and 130 in respect of goods merely transiting through that State without any fiscal nexus. The Court had held that assumption of coercive jurisdiction in the absence of revenue entitlement would be legally unsustainable.

7. Conclusion

The decision in **Maruti Enterprises** marks another significant development in the evolving jurisprudence surrounding GST enforcement powers and the doctrine of the "proper officer." The ruling carefully balances the need for regulatory oversight with constitutional protections available to inter-State trade and commerce. While recognising the authority of transit States to inspect goods and verify compliance, the Court has simultaneously imposed important jurisdictional limits upon coercive detention and penalty proceedings in the absence of fiscal nexus.

Equally significant is the Court's interpretation of cross-empowerment under GST. The judgment clarifies that such empowerment cannot be stretched into a framework of unrestricted pan-India enforcement authority. Jurisdiction must continue to remain rooted in statutory assignment, territorial competence, and revenue connection.

Together with the earlier decision in **Golden Traders**, the ruling may well become a turning point in GST enforcement jurisprudence. As authorities increasingly invoke detention and confiscation powers in transit situations, these judgments serve as an important reminder that even under a harmonised tax regime, jurisdictional discipline remains fundamental to the rule of law.

[The author is Co-Founder & Legal Head at RB LawCorp and the views expressed are strictly personal.]

(DISCLAIMER : The views expressed are strictly of the author and Taxindiaonline.com doesn't necessarily subscribe to the same. Taxindiaonline.com Pvt. Ltd. is not responsible or liable for any loss or damage caused to anyone due to any interpretation, error, omission in the articles being hosted on the site)