



**IN THE DISTRICT CONSUMER DISPUTES REDRESSAL
COMMISSION, KOLLAM**

PRESENT

SMT. S.K.SREELA, B.A.L, LL.B, PRESIDENT

SRI. STANLY HAROLD, BA, LL.B, MEMBER

C.C. No. 308/ 2022

ORDER DATED 28TH DAY OF MAY 2025

BETWEEN

N.R.Roy

S/o N.Ramakrishnan

Kizhakkadathu Veedu

Peroor, Kollam-691005.

[By Adv.P.Babukuttan Pillai]

: Complainant

AND

**1. The Kerala State Financial Enterprises Ltd.
Anandavalleswaram Branch, Kollam
Represented by its Branch Manager.**

: Opposite parties

**2. The Branch Manager
The Kerala State Financial Enterprises Ltd.
Anandavalleswaram Branch, Kollam.
[By Adv.T.Ajeesh]**

ORDER

S.K SREELA, PRESIDENT

1) Brief facts of the Complaint are as follows: The complainant, a practicing lawyer in Kollam, subscribed to a chit (Chitty No. 138/2020/A/1) with a sala of ₹2,00,000/- conducted by the Kerala State Government-owned opposite party company from its Anandavalleswaram branch. Upon the chit being prized in July, the complainant requested that the amount be deposited in a term deposit scheme of the company, with interest adjusted towards future chit payments. While processing this, the opposite parties unlawfully collected ₹1,836/- as Service Tax/GST, despite already receiving foreman commission for their services as per

the Chit Funds Act. The complainant alleges that this tax collection is illegal, amounts to unfair trade practice, deficiency of service, and negligence, as the liability to pay tax rests with the service provider, not the consumer. This unlawful act caused financial loss and mental agony to the complainant. Hence this complaint against the opposite party seeking refund of ₹1,836/- with 18% interest from 05/08/2022, ₹1,00,000/- compensation for mental agony and inconvenience, ₹1,00,000/- for unfair trade practice and deficiency in service and cost of proceedings.

2) The opposite parties, a Kerala Government-owned NBFC engaged in chit fund operations, have filed their version and deny all allegations in the complaint. They assert that the ₹1,836/- collected from the complainant was not a service charge but statutory GST, collected as per Notification No. 11/2017-Central Tax (Rate) under Heading 9971 Serial No.15, which mandates GST on services provided by a foreman of a chit fund. They contend that the complaint is not maintainable under the Consumer Protection Act, as it challenges a tax collection governed by GST laws, which falls under the jurisdiction of the GST authorities, not the Consumer Commission. That there is no deficiency in service, negligence, or unfair trade practice. GST is an indirect tax and, unless barred by law, can be passed on to the consumer. The complainant's allegations are misconceived and baseless, and the amount collected was duly meant for remittance to the GST Department. The complaint has been filed maliciously and without cause of action, and seeks unfounded compensation. Hence the opposite parties pray for dismissal of the complaint with costs, asserting that it is frivolous and an abuse of the process of the Commission.

3) The complainant had no oral evidence and the document produced by the complainant is marked as Exhibit P1- the voucher showing collection of ₹1,836/- under the head of GST. The opposite parties had no evidence in rebuttal.

4) Points for determination: -

1. Whether the collection of ₹1,836/- from the complainant was justified under law?

2. Whether the act amounts to deficiency in service or unfair trade practice?

3. Whether the complainant is entitled to refund and compensation

4. Reliefs and costs.

5) **Points 1 to 4** : The complainant, a subscriber (22nd chittal) in Chit No. 138/2020/A/1 for a sala of ₹2,00,000/- conducted by the opposite parties, has approached this Commission alleging unfair trade practice, deficiency in service, and unauthorized collection of GST from the chit prize amount in contravention of the Chit Fund Act and GST laws.

6) The complainant pleads that the complainant was declared the successful bidder in the aforesaid chit auction, having prized the chit at a discount of ₹8,100/. Pursuant to this, the complainant instructed the opposite parties to deposit the net prize amount in a term deposit with them. As per the chit agreement, after deducting the auction discount and the foreman's commission, the complainant was entitled to receive ₹1,81,900/-. However, the opposite parties credited only ₹1,79,864/- to the complainant's account, after deducting ₹200/- as writing fees and ₹1,836/- purportedly towards GST on chit transaction. The complainant contends that this deduction of ₹1,836/- was not authorized by the chit agreement, nor by any statutory notification under the GST regime or the Chit Fund Act. The deduction of GST from the prize amount, without legal basis, is claimed to be a gross deficiency in service and unfair trade practice, causing mental agony and financial loss.

7) The complainant argues that GST of ₹1,836/- was deducted from the net prize amount without any enabling provision in the chit agreement or law. The deduction was in violation of Section 21A of the Chit Funds Act which clearly states that the foreman is liable to pay service tax on the commission earned and not the chittal. That the opposite parties had already deducted ₹10,000/- as foreman's commission from the complainant's prize amount. The GST liability, if any, arises only from this commission, which is the consideration for services rendered. It has been further contended that under the GST Notification No.

11/2017 – Central Tax (Rate) under Heading No. 9971 (Financial and related services), the 6% GST on chit business is payable by the foreman on the commission received, not by the chittal. There is no provision authorizing recovery from the subscriber. That a notification cannot override a statute. Since no amendment to the parent Chit Fund Act authorizes deduction of GST from the chittal, the act of the opposite parties is ultravires and liable to be set aside. That the complainant has suffered financial loss and mental agony. The act of the opposite parties is not a bona fide error but a deliberate attempt to profit, knowing it to be against settled law.

8) The opposite parties in their version admit the deduction of ₹1,836/- but claimed it was statutory GST collected in accordance with Notification No. 11/2017-Central Tax (Rate). They argued that tax matters fall outside the jurisdiction of the Consumer Forum and that the complainant, if aggrieved, should approach the GST department for redressal.

9) The complainant has filed a detailed note of arguments. We have considered the arguments raised by the complainant and the version of the opposite party.

10) The burden is on the opposite parties to prove that the collection was legally authorized. While they refer to Notification No. 11/2017-Central Tax (Rate), they have failed to produce any evidence, including tax registration, remittance details, or authority under which GST is collected from chittals. The mere plea that GST is collectable does not justify actual collection in the absence of proof of statutory compliance, particularly when the complainant has shown, through Exhibit P1, that an amount was indeed collected.

11) The deduction of ₹1,836/- as GST from the prize amount was done without any evidence of statutory backing. The Chit agreement, Chit Funds Act, and the cited GST Notification do not authorize the foreman to collect GST from the subscriber, as the opposite parties have failed to substantiate the same. The GST liability, if any, rests on the foreman based on the commission earned. The opposite parties had already recovered ₹10,000/- as commission. The absence of any proof by the opposite parties, despite repeated opportunities, and their failure to produce

any tax remittance documents or authority letters, reinforces the complainant's case.

12) GST is a statutory levy, but unless it is shown that, the service falls under taxable category, the rate and manner of collection is authorized, and actual remittance to the department was made. Collection from consumers without explanation or statutory authority amounts to unfair trade practice. The opposite parties had the opportunity to adduce evidence but failed to do so.

13) Hence, the collection of ₹1,836/- from the complainant is held to be unauthorized and amounts to deficiency in service and unfair trade practice.

14) Section 21A of the Chit Funds Act and the GST Notification support the complainant's interpretation that the burden to pay GST lies with the foreman. The complainant has rightly claimed refund of the illegally collected amount, interest, and reasonable compensation for mental agony and unfair trade practice.

15) The complainant has suffered financial loss and mental agony due to the unauthorized deduction. He limited his claim to ₹1,00,000/- for mental agony and ₹1,00,000/- for unfair trade practice. In the absence of rebuttal evidence and considering the conduct of the opposite parties, this Commission finds the complainant entitled to reasonable compensation.

16) It is also worthy to place on record the commendable effort of the complainant, a practicing lawyer, who has not only asserted his own consumer rights but has also brought to light a recurring and unlawful trade practice being adopted by the opposite parties. His initiative in challenging the unauthorized collection of GST, supported by sound legal reasoning and statutory interpretation, reflects the vigilance expected of members of the legal fraternity. This case stands as an example of how legal professionals can contribute meaningfully to consumer awareness and the enforcement of statutory protections through appropriate legal channels.

17) In the result, the complaint is allowed. The opposite parties are directed to:

- a. Refund ₹1,836/- to the complainant along with interest at 9% per annum from 05/08/2022 till the date of payment.

- b. Pay ₹1,00,000/- as compensation for mental agony and inconvenience and for unfair trade practice and deficiency in service.
- c. Pay ₹10,000/- towards the cost of litigation.
- d. The above directions shall be complied with within 30 days from the date of receipt of this order, failing which all sums shall carry interest @9% per annum from the date of order until realization.

Dictated to the Confidential Assistant Smt. Deepa.S transcribed and typed by her corrected by me and pronounced in the Open Commission on this the 28th day of May 2025.

S.K.SREELA :Sd/-
(President)

STANLY HAROLD :Sd/-
(Member)

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Witnesses Examined for the Complainant: -Nil

Documents marked for the complainant

Ext P1 : Copy of Chitty Prize money payment voucher dated 05.08.2022.

Witnesses Examined for the opposite parties: -Nil

Documents marked for the opposite party: -Nil

Noted Copy

On the Application :

Receipt of Application :

The Applicant :

Received : 28-5-25

For a Copy : 28-5-25

By, and to the effect of :

31/05/25

President

Forwarded/by Order

Assistant Registrar