IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

R/SPECIAL CIVIL APPLICATION NO.10123 of 2026

FOR APPROVAL AND SIGNATURE:

HONOURABLE MR. JUSTICE A.S. SUPEHIA

and

HONOURABLE MS. JUSTICE VAIBHAVI D. NANAVATI

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Approved for Reporting	Yes	No
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FAIZ ENTERPRISE
THROUGH PROPRIETOR MAHETAR MAHIR FARUKBHAI
Versus
STATE TAX OFFICER, UNIT-67, SURAT & ANR.

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Appearance:
MR.HARDIK V VORA(7123) for the Petitioner(s) No. 1
MR.RAJ TANNA, AGP for the Respondent(s) No. 1,2

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CORAM:**HONOURABLE MR. JUSTICE A.S. SUPEHIA**
and
HONOURABLE MS. JUSTICE VAIBHAVI D. NANAVATI

Date : 20/08/2026

ORAL JUDGMENT

(PER : HONOURABLE MR. JUSTICE A.S. SUPEHIA)

1. On 13/08/2026, this Court passed the following order:

> *"1. Learned advocate Mr.Vora at the outset, while pointing out the impugned order, has submitted that the State Tax Officer Unit-67 has relied upon the case laws, which do not even remotely deal with the issue raised before him. He has submitted that the judgement in the case of State of Gujarat v. Aarbee Structures Pvt. Ltd., 2024 (4) TMI 951 is not in existence, whereas the decision of the Madras High Court referred therein in the case of M/s. Sri Vinayaga Agencies v. Assistant Commissioner, 2023 (5) TMI 106 has different citation and ratio will not apply to the present case. Finally, the decision of the Calcutta High Court in the case of Jyoti Tar Products Pvt. Ltd. v. Deputy Commissioner, 2024 (7) TMI 512 also does not match with any of the citations and ratio also does not apply.*
>
> *2. It appears that the impugned order has been passed by the State Tax Officer by placing reliance exclusively on the AI generated case laws.*
>
> *3. Learned AGP shall take appropriate instructions in the matter, failing which the Court will be constrained to seek presence of the State Tax Officer Unit-67 namely, Mr.D.A.Yadav who has passed the impugned order. This Court shall also initiate appropriate action against him, in case it finds that the submissions advanced by learned advocate Mr.Vora regarding the case laws upon which reliance has been placed by the State Tax Officer are correct, that such case laws are either not in existence or do not even remotely apply to the issue. Such instructions shall be taken by the next date of hearing.*
>
> *4. The matter is kept on* ***20.08.2026 at the top of the board."***

2. Today, when the matter is taken up for hearing, learned Assistant Government Pleader Mr.Raj Tanna has tendered the Affidavit-in-reply of respondent no.1 herein, who is personally present before this Court. The other officers, viz. (I) Mr.Brijesh

Upadhyay, Deputy Commissioner of State Tax (Court Branch), Rajyakar Bhavan, Ahmedabad, (ii) Mr.Ashok Karangiya, Deputy Commissioner of State Tax, Range-17, Surat and (iii) Mr. S.R. Rathod, Assistant Commissioner of State Tax, Unit-67, Surat are also present before this Court. He has also tendered the communication dated 19/08/2026 written by the Deputy State Tax Commissioner and also the administrative instructions issued by the Office of the Additional Commissioner of State Tax dated 18/08/2026. All the documents tendered before us, are ordered to be taken on record.

3. The Affidavit-in-reply filed by the respondent no.5 Shri Devang Arvindkumar Yadav, State Tax Officer, who has passed the impugned order, which has been referred by us, in our order dated 13/08/2026, has tendered an unconditional apology for citing the judgments in the impugned order, which are, in fact, cited by using the Artificial Intelligence (AI). The affidavit-in-reply (tendering unconditional apology), specifically refers that the deponent is a probationary officer and due to his lack of experience, the mistake has happened and he has tendered unconditional apology to this Court for using the Artificial Intelligence (AI) in drafting the order and referring to the non-existent and irrelevant judgments. He has also submitted that, after the order passed by this Court, he has attended the training programme on the subject, *"usage of Artificial Intelligence (AI) in*

Drafting SCA and adjudication/appellate order", which was conducted on 18/08/2026.

4. Pursuant to our order, the Additional Commissioner of State Tax (Admin), Gujarat State, Ahmedabad has issued the instructions dated 18/08/2026 to all the Joint Commissioners of State Tax, Division-1 to 12. The same reads thus:

> *"No:-CCT/Admin/instructions/2026-27/O.N:-53 Dt. 18/08/2006*
>
> *To,*
>
> *Joint Commissioners of State Tax,*
>
> *Div-1 to 12.*
>
> *Subject: Instructions on the use of Artificial Intelligence (Al) by Adjudicating Authority and Quasi-Judicial Authority*
>
> *With reference to above subject, these instructions are issued to Adjudicating Authorities and Quasi-Judicial Authorities of the Department to prescribe procedure for the use of artificial intelligence (AI) tools and Al-assisted research in the preparation of adjudication/appeal orders. The purpose is to ensure that orders remain legally sustainable, factually accurate, and can withstand the judicial scrutiny before courts and appellate forums.*
>
> *This instruction is framed in light of the recent oral order of the Hon'ble High Court of Gujarat in Faiz Enterprise v. State Tax Officer R/SCA/10123/2026 (13 August 2026). The High Court observed that the impugned order was passed by the State Tax Officer by placing reliance exclusively on AI-generated case laws, which were non-existent or irrelevant.*
>
> *Relevant extract (para 2): "It appears that the impugned order has been passed by the State Tax Officer by placing reliance exclusively on the AI generated case laws."*
>
> *Hon'ble High court has taken the cognizance of the same and therefore, these instructions are issued in order to maintain discipline and uniformity in passing of orders by the officers across the state.*

2. Following instructions shall be required to consider while using Al for drafting orders:

i. AI use is to assist the Authorities. Any case law, statutory provision, rule, circular, notification identified through AI must be independently verified by the Authority using primary official sources before incorporating it in an order.

ii. All Authorities, while referring to judgments of higher judicial forums, should ensure accurate citation and confirm their relevance to the case, reproducing the relevant extracts thereof. They should also verify the authenticity of the source as well as the current legal status of these judgments to ensure that these have not been overruled by a higher judicial forum. If an AI tool paraphrases a ratio, the officer must locate the original paragraph and reproduce it verbatim in the order before relying on it.

Iii. During adjudication, the judgments cited by the taxpayer should be duly considered and discussed. In case, the said judgment is not found to be applicable to the matter under consideration, reasons for the same must be recorded in the order.

iv. Wherever Artificial Intelligence (AI), open-source tools or other technological tools are utilized to enhance the efficiency and effectiveness in adjudication proceedings, such use must be accompanied by appropriate human oversight, as AI tools are not always reliable due to concerns regarding their accuracy, transparency, and the unknown nature of underlying information.

v. Orders must reflect independent legal reasoning and record the officer's own application of mind to the law and the facts of the case. AI output may assist in reasoning but cannot substitute it.

3. The ultimate responsibility for the correctness of the order lies with the issuing authority, irrespective of the technological tools used by the authority.

4. Failure to follow these instructions, including passing orders based on unverified AI content, will amount to misconduct and may attract disciplinary action.

5. In view of the above, you are instructed to suitably sensitize

> *the officers under your jurisdiction regarding the above instructions and ensure strict compliance so as to maintain accuracy, consistency, and legal sustainability in adjudicating proceedings.*
>
> *6. This issue with the approval of the Chief Commissioner of State Tax.*
>
> *(A. B. Mehta)*
>
> *Additional Commissioner of State Tax,*
>
> *(Admin)*
>
> *Gujarat State, Ahmedabad."*

5. The Deputy State Tax Commissioner vide communication dated 19/08/2026 has also informed the Government Pleader's Office about the steps taken by his office for use of Artificial Intelligence (AI) by Adjudicating Authorities and *Quasi Judicial* Authorities.

6. We direct that the instructions dated 18/08/2026, which we have incorporated in our order shall be scrupulously followed, and any violation of the instructions would amount to contempt of this Court, in view of the directions issued by us..

7. As far as the merits of the present matter is concerned, learned AGP Mr.Raj Tanna has very fairly pointed out that the respondents intend to revise the entire orders which are impugned in the petition by resorting to the provision of Section 108 of the Goods and Services Tax Act, 2017 (for short 'the GST Act, 2017'). It is submitted that, a fresh order will be passed and even if the Court thinks appropriate, all the orders may be set

aside and the Department will issue fresh show cause notice to the petitioner.

8. We appreciate the fair stance taken by the respondents in the present matter and also the issuance of the instructions, in view of the order passed by us.

9. Under the circumstances, in light of the aforenoted facts, we quash and set aside the show cause notice dated 30/10/2025, the impugned order of cancellation dated 15/12/2025, order rejecting revocation application dated 10/03/2026 (issued on 23/03/2026) passed by the respondent no.1 and appellate order dated 25/05/2026 alongwith the GST APL-04 dated 26/05/2026 issued by the respondent no.2; and the respondent authority shall issue fresh notice to the present petitioner. The petitioner shall fully co-operate with the proceedings. We also clarify that the reply/defense taken by the petitioner shall be duly considered by the respondent authority while passing the order, and a reasoned order, in accordance with law shall be passed. All the rights and contentions of the respective parties are left open.

10. With these observations, the present petition stands ***disposed of.***

Sd/-

(A. S. SUPEHIA, J)

Sd/-

(VAIBHAVI D. NANAVATI,J)

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