GOVERNMENT OF TELANGANA
COMMERCIAL TAXES DEPARTMENT

CIRCULAR No.1/2026

CCT's Ref. No.A(1)/65/2026, **Date:18.08.2026**

Sub: Commercial Taxes Department – Use of Artificial Intelligence (AI) tools and other third-party online platforms by officers in the discharge of official duties – Confidentiality of taxpayer information under Sections 152, 158 and 158A of the TGST Act, 2017 – Obligations under the Digital Personal Data Protection Act, 2023 – Application of mind in quasi-judicial proceedings – Personal responsibility and liability of the officer – Comprehensive instructions issued – Regarding.

Ref:
1. Sections 133, 152, 156, 158 and 158A of the Telangana Goods and Services Tax Act, 2017.
2. The Digital Personal Data Protection Act, 2023.
3. The Official Secrets Act, 1923.
4. The Telangana Civil Services (Conduct) Rules, 1964.
5. The Telangana Civil Services (Classification, Control and Appeal) Rules, 1991.

* * *

I. BACKGROUND

1. Officers of the Department routinely handle highly confidential taxpayer information, including returns and annexures, financial statements, invoices, bank particulars, e-way bill data, intelligence inputs, audit records, investigation and inspection files, statements recorded during proceedings, legal opinions and internal Government communications. This information reaches the officer solely by force of statute, in the course of the discharge of his official functions, and is held by him in a fiduciary capacity on behalf of the State and of the taxpayer who was compelled by law to furnish it.

2. It has been brought to the notice of the undersigned that a number of officers of the Department have begun using AI-based tools to assist in the drafting of discrepancy reports, notices, orders and other proceedings, and in the analysis, translation and summarising of case records. It is stated categorically that the Department is not opposed to the use of such tools. The responsible use of Artificial Intelligence tools by officers is encouraged, within the limits set out in this circular, to improve the speed, consistency and quality of their work. However, the use of AI cannotcome at the cost of taxpayer confidentiality, of data security, or of the officer's own independent judgment, and it is to that manner of use that this circular is addressed.

3. Publicly available AI tools – large language models, generative AI platforms, AI chatbots, document analysers, summarisers, translators, transcription services and coding assistants, whether paid or free – process user inputs on servers owned and controlled by private entities, frequently located outside the territorial jurisdiction of India. Inputs to such platforms are commonly logged, retained, reviewed by human personnel of the provider and used to train the provider's models. Every act of typing, pasting, uploading, scanning, photographing or dictating departmental material into such a platform is therefore an electronic transmission of that material to a third party, beyond the control of the Department and of the Government, and beyond any practical means of recall.

4. Such transmission – whether or not it is made for a bona fide official purpose, whether or not the supervisory officer is aware of it, and whether or not any harm is in fact demonstrated – amounts in law to disclosure of confidential taxpayer information to a person not authorised to receive it. It further exposes the Department to unauthorised access, potential misuse, data leakage and litigation.

II. THE STATUTORY BAR ON DISCLOSURE

5. The confidentiality of taxpayer information is a statutory prohibition, binding on every officer personally. The relevant provisions of the Act are extracted below:

6. **Section 158 of the TGST/CGST Act, 2017 – Disclosure of information by a public servant.** The provision reads as follows:

EXTRACT – SECTION 158, TELANGANA GOODS AND SERVICES TAX ACT, 2017
158. Disclosure of information by a public servant. —
(1) All particulars contained in any statement made, return furnished or accounts or documents produced in accordance with this Act, or in any record of evidence given in the course of any proceedings under this Act (other than proceedings before a criminal court), or in any record of any proceedings under this Act shall, save as provided in sub-section (3), not be disclosed.
(2) Notwithstanding anything contained in the Indian Evidence Act, 1872, no court shall, save as otherwise provided in sub-section (3), require any officer appointed or authorised under this Act to produce before it or to give evidence before it in respect of particulars referred to in sub-section (1).
(3) Nothing contained in this section shall apply to the disclosure of — (a) any particulars in respect of any statement, return, accounts, documents, evidence, affidavit or deposition, for the purpose of any prosecution under the Indian Penal Code or the Prevention of Corruption Act, 1988, or any other law for the time being in force; or (b) any particulars to the Central Government or the State Government or to any person acting in the implementation of this Act, for the purposes of carrying out the objects of this Act; or (c) any particulars when such disclosure is occasioned by the lawful exercise under this Act of any process for the service of any notice or recovery of any demand; or (d) any particulars to a civil court in any suit or proceedings, to which the Government or any authority under this Act is a party ... [and the further clauses (e) to (n) of the said sub-section, each relating to a specified statutory authority or purpose].

7. The prohibition in sub-section (1) is expressed in absolute terms – such particulars "shall ... not be disclosed" – and is displaced only by the specific and exhaustive exceptions enumerated in sub-section (3), each of which relates to a named statutory authority, a court, or a purpose of the Act itself. A private commercial AI service provider falls within none of these exceptions. Nothing in the Act permits disclosure on the ground of administrative convenience, pressure of work, shortage of staff or the officer's own efficiency. The exception in clause (b) covers persons acting in the implementation of the Act; an AI platform is not such a person, and a query put to it is not an act in implementation of the Act.

8. **Section 152 of the TGST/CGST Act, 2017 – Bar on disclosure of information.** The provision, as amended with effect from 01.01.2022, reads as follows:

EXTRACT – SECTION 152, TELANGANA GOODS AND SERVICES TAX ACT, 2017
152. Bar on disclosure of information. — (1) No information with respect to any matter given for the purposes of section 150 or section 151 shall, without the previous consent in writing of the concerned person or his authorised representative, be published in such manner so as to enable such particulars to be identified as referring to a particular person and no such information shall be used for the purpose of any proceedings under this Act without giving an opportunity of being heard to the person concerned. (3) Nothing in this section shall apply to the publication of any information relating to a class of taxable persons or class of transactions, if in the opinion of the Commissioner, it is desirable in the public interest to publish such information. [Sub-section (2) was omitted, and sub-section (1) amended, by the Finance Act, 2021, with effect from 01.01.2022.]

9. The scheme of Sections 152 and 158, read together, is that information furnished by or collected from a taxable person may be used only for the purposes of the Act and may be disclosed only where the Act itself permits, or where the taxpayer has given consent. The consent of the taxpayer is not obtained for transmission of his particulars to an AI platform, and no provision of law authorises it.

10. **Section 158A – Consent based sharing of information.** The Legislature has, by Section 158A, expressly provided that even the sharing of specified particulars furnished by a taxable person with another system notified by the Government requires the consent of the supplier, and, in respect of details of outward supplies, the consent of the recipient as well. If the sharing of taxpayer particulars between two arms of Government requires both an express statutory provision and the taxpayer's consent, the sharing of the same particulars with a private commercial platform, is impermissible.

11. **Section 156 – Persons deemed to be public servants.** Every person appointed to any office under the Act is deemed to be a public servant. The duty of confidentiality created by Sections 152 and 158 attaches to the officer in that personal capacity, and not merely to the Department as an institution.

III. PERSONAL RESPONSIBILITY AND LIABILITY OF THE OFFICER

12. The obligation cast by Section 158 is cast upon the public servant, not upon the Department. Where an officer transmits taxpayer particulars to an external AI engine without the authority of law or the consent of the taxpayer, the breach is his own personal act, and hence personally accountable for it. The plea that the disclosure was made in the course of official work, or in order to complete work faster, or that no loss was in fact caused, is not sufficient to absolve the officer- the section prohibits the disclosure itself, and does not require proof of consequential damage.

13. Responsibility cannot be delegated. Where the material is fed into an AI tool by a Personal Assistant, stenographer, data entry operator, outsourced staff member or any other person acting at the instance of an officer or with access to records in his custody, the officer in whose custody the record lies remains answerable for the disclosure. Officers shall accordingly ensure that persons working under them are aware of, and comply with, these instructions.

14. Unauthorised transmission of taxpayer information to an external AI platform may attract the following consequences, independently and cumulatively:

    (a) Disciplinary action – unauthorised communication of official information is misconduct under the Telangana Civil Services (Conduct) Rules, 1964, and attracts disciplinary proceedings under the Telangana Civil Services (Classification, Control and Appeal) Rules, 1991, including the imposition of major penalties.

    (b) Criminal liability – wilful disclosure of information falling within the scope of Section 133 of the Act is a punishable offence; disclosure of official information may also attract Section 5 of the Official Secrets Act, 1923, and such other penal law as may be applicable. The text of Section 133 is extracted below.

EXTRACT – SECTION 133, TELANGANA GOODS AND SERVICES TAX ACT, 2017
133. Liability of officers and certain other persons. — (1) Where any person engaged in connection with the collection of statistics under section 151 or compilation or computerisation thereof or if any officer of State tax having access to information specified under sub-section (1) of section 150, or if any person engaged in connection with the

EXTRACT – SECTION 133, TELANGANA GOODS AND SERVICES TAX ACT, 2017

provision of service on the common portal or the agent of common portal, wilfully discloses any information or the contents of any return furnished under this Act or rules made thereunder otherwise than in execution of his duties under the said sections or for the purposes of prosecution for an offence under this Act or under any other Act for the time being in force, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to twenty-five thousand rupees, or with both.

(2) Any person — (a) who is a Government servant shall not be prosecuted for any offence under this section except with the previous sanction of the Government; (b) who is not a Government servant shall not be prosecuted for any offence under this section except with the previous sanction of the Commissioner.

(c) Liability under the data protection law – taxpayer particulars handled by officers are "personal data" for the purposes of the Digital Personal Data Protection Act, 2023. The Department handles such data as a Data Fiduciary and is obliged to process it only for the purpose for which it was furnished and to protect it by reasonable security safeguards. Transmission of such data to a public AI platform, where it may be stored, retained, accessed by the provider's personnel or used to train third-party models outside the control of the Government, is inconsistent with that obligation and constitutes a reportable personal data breach, quite apart from the breach of confidentiality under the Act.

(d) Consequences to the proceeding – apart from the personal liability of the officer, the disclosure taints the proceeding in which it occurs and exposes the Department to writ challenge, to claims for damages by the taxpayer, and to adverse judicial comment.

IV. APPLICATION OF MIND IN QUASI-JUDICIAL PROCEEDINGS

15. An order or notice issued under the Act is a quasi-judicial act. It must reflect the officer's own reasoned appreciation of the facts, the evidence and the law, as applicable to the specific taxpayer and to the specific facts and circumstances of that case. The statutory power is vested by the Legislature in the Proper officer notified under the Act. It is a power coupled with a duty, and it cannot be abdicated in favour of a machine.

16. Mechanical or unexamined use of AI-generated text, without independent verification and application of mind by the officer, renders the resulting order vulnerable to being set aside, and has been viewed adversely by the Hon'ble Courts as a failure to exercise the statutory function vested in the officer. It is also seen by the Government as a dereliction of duty.

17. Officers are additionally cautioned that AI tools are known to generate text that is fluent and confident but factually wrong – including citations to judgments that do not exist, misstatements of the ratio of decisions that do exist, incorrect section and notification numbers, and invented factual detail. An officer who signs such text adopts it as his own. The errors belong to the Officer signing the order or the proceedings.

18. Drafting aids can be used but the final order must remain the officer's own considered product. Every legal proposition, section, rule, notification, circular and case citation appearing in it shall be independently verified from the bare Act, the notification, the departmental circular or the law report, as the case may be, before the order is signed.

V. INSTRUCTIONS ISSUED

In view of the above, and in exercise of the powers vested in the undersigned, the following instructions are issued for strict compliance by all officers and staff of the Department with immediate effect:

19. **This circular does not prohibit the use of AI tools; it regulates it.** The Department's policy is one of encouragement of the responsible use of such tools, and not of prohibition of their use. This circular does not bar an officer from using Artificial Intelligence tools in the discharge of his duties. What is prohibited is the transmission of taxpayer particulars to a platform not authorised for the purpose, and the substitution of AI-generated output for the officer's own application of mind. An officer who keeps within those two boundaries is encouraged to use such tools.

20. **Absolute prohibition on disclosure of taxpayer particulars.** No officer or staff member of the Department shall type, paste, upload, scan, photograph, dictate, transcribe or otherwise transmit, into any public or commercial Artificial Intelligence tool, chatbot, generative AI platform, document analyser, summariser, translation or transcription service, or cloud-based analytical software, any taxpayer-related information – including, but not limited to, GSTIN, PAN, legal name or trade name, address and contact particulars, bank account details, returns and annexures, financial statements, invoices, e-way bill data, extracts from discrepancy reports, notices, assessment, adjudication or appellate orders, audit paras, refund applications, inspection, search or investigation records, statements recorded during proceedings, and internal notes or legal opinions relating to an identifiable taxpayer – unless the platform concerned is one expressly authorised in writing for that purpose by the Commissioner of Commercial Taxes or by the Government of Telangana.

21. **Departmental data and systems.** No officer shall connect, integrate, export or feed any departmental database, dashboard, report, return or extract drawn from the GSTN, the Back Office application, the e-way bill system, BIFA or any other departmental analytical tool into any external system, application programming interface, browser extension or plug-in. AI-enabled browser extensions and plug-ins shall not be installed on departmental computers.

22. **Personal devices and accounts.** These instructions apply with equal force to the officer's personal mobile phone, tablet, laptop, personal e-mail account and personal cloud storage. Departmental material shall not be transferred to any personal device or personal account for the purpose of processing it through an AI tool.

23. **Encouraged uses.** Officers are encouraged to use AI tools for generic legal or procedural research – the text of a statutory provision, a general question of law framed in the abstract – and for assistance with language, structure, grammar and the general clarity of a draft, providedthat no identifiable taxpayer particulars and no case-specific facts are included in the query. Officers are nevertheless cautioned that incidental or contextual detail capable of identifying a taxpayer is very easily included inadvertently, and are directed to frame any such query in wholly hypothetical terms. The output of any such query shall be verified against the primary source before it is acted upon.

24. **No abdication of the quasi-judicial function.** No discrepancy report, notice, assessment, adjudication or appellate order shall be issued which the officer signing it has not read in full, verified as to fact and law, and adopted as his own reasoned conclusion.

25. **Citations directly from AI.** Any citations, legal provisions, case laws, etc given by AI shall not be quoted without personal verification of the authenticity and genuinity of the citation, legal provisions or case law. Always verify the relevance of the citation, etc before using it in your order.

26. **Deletion of residual data.** Every officer and staff member shall, to the extent technically feasible, delete any taxpayer-related data entered in the past into any AI platform, delete the associated chat history and stored files, and disable any setting permitting retention of inputs for model training. No chat history or file containing taxpayer information shall hereafter be retained on any personal device or official system.

27. **Supervisory responsibility.** All Additional Commissioners, Joint Commissioners and Deputy Commissioners shall periodically sensitise the officers and staff working under

their control, and shall satisfy themselves, in the course of inspections and reviews, that these instructions are being observed.

VI. SERVICE OF THIS CIRCULAR AND DATED ACKNOWLEDGEMENT

28. The Joint Commissioner (ST) concerned and all the Additional Commissioners (ST) shall cause this circular to be served upon every officer and every member of the staff working under their respective administrative control, and shall obtain from each of them a signed acknowledgement bearing the date of receipt, in the form at Annexure – I.

29. The original acknowledgements shall be retained permanently as a record in the office of the Joint Commissioner (ST) and by the ADC Establishment in the HoD.

VII. CONSEQUENCES OF VIOLATION AND COMMENCEMENT

30. Any deviation from these instructions – whether by disclosure of confidential taxpayer particulars on public or commercial platforms, or by the issue of orders reflecting non-application of mind – will be viewed seriously

31. These instructions shall come into force with immediate effect and shall remain in force until further orders. Difficulties, if any, experienced in implementation, and suggestions for the provision of a secure, departmentally approved facility for such assistance, may be brought to the notice of the undersigned.

Sd/- M. Raghunandan Rao
Commissioner of Commercial Taxes,
Telangana State, Hyderabad.

To

1. All the Additional Commissioners (ST), O/o the Commissioner of Commercial Taxes / Divisions.
2. All the Joint Commissioners (ST) – for service of this circular and obtaining of acknowledgements as directed in Part VI.
3. All the Deputy Commissioners (ST) / Assistant Commissioners (ST) / State Tax Officers of the Department.
4. All Ministerial Staff of the Department, through the Joint Commissioners (ST) concerned.

Copy to:

1. The Additional Commissioner (Computers/IT) – for hosting on the departmental website and the intranet, and for issue of necessary technical advisories on browser extensions and plug-ins.
2. The Additional Commissioner (Vigilance and Enforcement).
3. The Section Officer, CS(1) Section – for monitoring receipt of compliance reports.

//t.c.b.o//

Additional Commissioner(ST) Policy

ANNEXURE – I

ACKNOWLEDGEMENT OF RECEIPT OF CIRCULAR

(To be signed individually by every officer and member of the staff and returned to the Joint Commissioner (ST) concerned within fifteen days – vide CCT's Ref. No. A(1)/65/2026, dated 18-08-2026)

I acknowledge that I have this day received, read and understood the Circular issued by the Commissioner of Commercial Taxes, Telangana State, in CCT's Ref. No. A(1)/65/2026, dated 18-08-2026, on the use of Artificial Intelligence tools and other third-party online platforms by officers in the discharge of official duties.

I am aware, in particular, that:

1. taxpayer particulars coming into my possession in the course of my official duties are confidential and are protected by Sections 152, 158 and 158A of the TGST Act, 2017;
2. I shall not type, paste, upload, scan, photograph, dictate or otherwise transmit any such particulars into any public or commercial AI tool or other third-party online platform not expressly authorised in writing by the Commissioner of Commercial Taxes or by the Government of Telangana;
3. the responsibility for any such disclosure is personal to me and is not transferred by the fact that the act was performed by a subordinate, a Personal Assistant, a data entry operator or any other person acting at my instance or with access to records in my custody;
4. any such disclosure may attract disciplinary proceedings under the Telangana Civil Services (Classification, Control and Appeal) Rules, 1991, prosecution under Section 133 of the TGST Act, 2017 and other applicable law, and proceedings under the Digital Personal Data Protection Act, 2023; and,
5. every notice or order signed by me must reflect my own application of mind and shall not be the mechanical reproduction of AI-generated text.

Name (in block letters) : ....

Designation : ....

Office / Circle / Division : ....

Employee ID : ....

Signature : ....

Date of receipt of circular : ....