SPL Motors (P) Ltd. vs Union of India and Others

Whether Rule 86A CGST Rules permits blocking of ITC in Electronic Credit Ledger beyond available balance (negative blocking).

Date of Order: November 19, 2025
Case Law No: GIB- PHHC-2025-24
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

Facts :
The petitioner, a registered GST dealer, challenged the action of the respondents in blocking its Electronic Credit Ledger (ECL) on 29.04.2024 by creating a negative balance.
It was contended that such blocking exceeded the available Input Tax Credit and was done without prior notice, violating Rule 86A and principles of natural justice.
The petitioner argued that Rule 86A only allows restriction of credit actually available in the ECL and does not permit creation of artificial negative balance.

Court Decision:
The Court held that Rule 86A can be invoked only when Input Tax Credit is available in the Electronic Credit Ledger.
Blocking of ITC beyond the available amount, resulting in a negative balance, is without jurisdiction and impermissible.
Rule 86A only allows temporary restriction on utilisation of existing credit and does not empower authorities to create debit entries or negative balances.
The impugned action was set aside to the extent it blocked credit in excess of the available ITC, and the writ petition was allowed.
The Court clarified that authorities are free to take recourse to statutory recovery mechanisms under Sections 73 and 74 of the CGST/HGST Acts.

Cases Referred:

- *Samay Alloys India Pvt. Ltd. vs State of Gujarat*
- *Best Crop Science Pvt. Ltd. vs Principal Commissioner*
- *Kings Security Guard Services Pvt. Ltd. vs Deputy Director, DGGI*
- *Karuna Rajendra Ringshia vs Commissioner of CGST*
- *Shyam Sunder Strips vs Union of India*
- *Laxmi Fine Chem vs Assistant Commissioner*

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- *Rawman Metal and Alloys vs Deputy Commissioner of State Tax*
- *Basanta Kumar Shaw vs Assistant Commissioner of Revenue*
- *RM Dairy Products LLP vs State of U.P.*
- *Sugna Sponge and Power Pvt. Ltd. vs Superintendent of Central Tax*

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