State of Karnataka v. Ecom Gill Coffee Trading Private Limited

Interpretation of burden of proof for claiming Input Tax Credit under VAT law; requirement of proving genuineness of transactions (Section involved: Section 70 of the Karnataka Value Added Tax Act, 2003)

Date of Order: March 13, 2026
Case Law No: GIB-SC-2023-02
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

Facts:
The respondent purchasing dealers claimed Input Tax Credit (ITC) on purchases made from various sellers. The Assessing Officer disallowed ITC on the ground that several selling dealers were deregistered, had not filed returns, or denied transactions, raising doubts about genuineness. The first Appellate Authority upheld the disallowance. However, the Tribunal and High Court allowed ITC primarily on the basis of invoices and payments through cheques.

Court Decision:
The Supreme Court held that the burden under Section 70 lies on the purchasing dealer to prove the genuineness of transactions. Mere production of invoices or payment through banking channels is not sufficient. The dealer must establish actual physical movement of goods and provide supporting evidence such as transport details, delivery acknowledgment, and seller details. Since the purchasing dealers failed to discharge this burden, the Court set aside the High Court and Tribunal orders and restored the disallowance of ITC by the Assessing Officer.

Cases Referred by Court:
- Corporation Bank v. Saraswati Abharansala (2009) 19 VST 84 (SC)
- Bhagadia Brothers v. Additional Commissioner of Commercial Taxes (Karnataka High Court)
- Madhav Steel Corporation v. State of Gujarat (Gujarat High Court)
- Shreeji Impex v. State of Gujarat (Gujarat High Court)
- On Quest Merchandising India Pvt. Ltd. v. Government of NCT of Delhi

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