M. Trade Links v. Union of India & Ors.

Challenge to validity and application of Input Tax Credit provisions under GST; denial of ITC due to supplier default and time limitation (Sections involved: Section 16(2)(c) and Section 16(4) of CGST Act, 2017 & SGST Act)

Date of Order: June 4, 2024
Case Law No: GIB-KERHC-2024-09
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

Facts:
The petitioners, registered dealers under GST, were denied Input Tax Credit despite possessing valid invoices, proof of payment, and receipt of goods/services. In several cases, suppliers either failed to remit tax or failed to reflect transactions in returns, leading to denial of ITC under Section 16(2)(c). The petitioners challenged the provisions as imposing an impossible burden on recipients and also contested the time limitation under Section 16(4). Multiple writ petitions raising similar issues were heard together.

Court Decision:
The High Court upheld the validity of Sections 16(2)(c) and 16(4) of the GST Act. The Court held that Input Tax Credit is not an absolute right but a statutory entitlement subject to conditions prescribed under the Act. It was held that fulfillment of all conditions under Section 16(2), including actual payment of tax to the Government, is mandatory for availing ITC. The Court further held that the time limit prescribed under Section 16(4) is valid and enforceable, and ITC cannot be claimed beyond the stipulated period.

Cases Referred by Court:
- On Quest Merchandising India Pvt. Ltd. v. Union of India
- Commissioner of Trade and Taxes v. Arise India Ltd.
- Jayam & Co. v. Assistant Commissioner
- ALD Automotive Pvt. Ltd. v. Commercial Tax Officer

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