

Sahil Enterprises v. Union of India & Ors.

Challenge to constitutional validity and interpretation of Input Tax Credit denial due to non-payment of tax by supplier (Sections involved: Section 16(2)(c) and Section 73 of CGST Act, 2017)

Date of Order: January 6, 2026
Case Law No: GIB- TRIHC-2026-29
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CASE DESCRIPTION / SUMMARY

Facts :

The petitioner, a trader in rubber products, purchased goods from a supplier and paid GST amounting to Rs.1,11,60,830/-. The supplier filed GSTR-1 but failed to deposit tax with the Government and filed nil GSTR-3B returns. The department denied ITC to the petitioner, blocked credit, and issued a demand under [Section 73](#). The petitioner challenged the demand order dated 17.05.2022 and the constitutional validity of [Section 16\(2\)\(c\)](#).

Court Decision:

The High Court upheld the constitutional validity of [Section 16\(2\)\(c\)](#) but read down the provision. It held that ITC cannot be denied to a bona fide purchasing dealer where transactions are genuine and tax has been paid to the supplier. The Court set aside the demand order and directed grant of ITC to the petitioner, holding that denial is permissible only in cases of fraud, collusion, or non-genuine transactions.

Cases Referred by Court:

- B.R. Enterprises v. State of U.P.
- CST v. Radhakrishnan
- On Quest Merchandising India Pvt. Ltd. v. Government of NCT of Delhi
- Commissioner of Trade and Taxes v. Arise India Ltd.
- Shanti Kiran India (P) Ltd. v. Commissioner Trade and Tax
- National Plasto Moulding v. State of Assam
- McLeod Russel India Ltd. v. Union of India
- Laxmipat Singhania v. CIT
- Mahaveer Kumar Jain v. CIT
- Jain Bros. v. Union of India
- Chief Commissioner of CGST v. Safari Retreats Pvt. Ltd.

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