Sri Padmavathi Marketing v. Assistant Commissioner of Commercial Taxes

Scope of Rule 86A – Whether ITC can be blocked for supplier when alleged wrongful availment is by recipient.

Date of Order: March 4, 2026
Case Law No: GIB-KHC-2026-35
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

Case Facts:

The petitioner challenged a show-cause notice proposing blocking of ITC under Rule 86A and seeking restoration of ₹1.96 crore. The allegation was that the petitioner issued invoices without actual supply of goods, enabling M/s. Million Lights to avail wrongful ITC. The petitioner contended that Rule 86A applies only when ITC is wrongly availed by the assessee itself and not by its customer. The department asserted ongoing investigation and alleged admissions regarding issuance of invoices without supply.

Court Decision:

The Court held that Rule 86A empowers restriction on utilization of ITC only when the credit in the electronic credit ledger of the concerned assessee is fraudulently availed or is ineligible under specified circumstances such as absence of supply, non-existent supplier, non-payment of tax, or lack of valid documents. The Rule is limited to these conditions and cannot be invoked otherwise. In the present case, the allegation was that the petitioner issued invoices without actual supply, leading to wrongful ITC availment by the recipient. Such allegation does not pertain to ITC availed by the petitioner itself. Therefore, invocation of Rule 86A against the petitioner was improper as the statutory conditions were not satisfied.

© 2026 GST INDIA Biz. All rights reserved.