King Enterprises vs. Union of India & Ors.

Validity of

Date of Order: November 18, 2025
Case Law No: GIB-BHC-2025-47
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

Background & Relevant Facts

The petitioner, King Enterprises, challenged an order dated 8 January 2025 passed under Rule 86A of the CGST Rules, 2017, whereby ITC in its electronic credit ledger was blocked to the extent of Rs. 2.66 Crores. Crucially, on the date of the said blocking order, the actual ITC available in the petitioner's electronic ledger was only Rs. 7,06,770/-. The respondents sought to justify the blocking of ITC in excess of the available ledger balance — a phenomenon referred to by the Court as "negative blocking" — by arguing that Rule 86A permits blocking of amounts fraudulently availed and utilised, even if such amounts exceed the current ledger balance, and that such blocking operates as a lien on future credit entries. The petitioner did not object to blocking of ITC to the extent of the actual available balance of Rs. 7,06,770/-.

Court Observations (Verbatim)

"*Thus, this is a case of 'negative blocking' to the extent, it concerns ITC over Rs. 07,06,770/-.*"

"*The arguments urged on behalf of the Respondents in the affidavit filed on behalf of the Respondents opposing the grant of any relief in this Petition run directly contrary to the following decisions: (i) Samay Alloys India Pvt Ltd Vs State of Gujarat, (ii) Laxmi Fine Chem Vs Assistant Commissioner, (iii) Best Crop Science Pvt Ltd through Authorised Representative Vs Principal Commissioner, CGST Commissionerate, Meerut & Ors, (iv) Karuna Rajendra Ringshia Proprietor R R Enterprises Vs Commissioner of Central Goods and Service Tax & Ors.*"

"*Besides, the arguments in the affidavit on behalf of the Respondents also run counter to this Court's decision in Rawman Metal & Alloyes (supra). Accordingly, we cannot accept such arguments and, on that basis, permit the blocking of ITC from the Petitioner's electronic ledger to the extent it exceeds Rs. 07,06,770/-.*"

"*As noted above, the High Courts of Gujarat, Telangana, and Delhi have held that such negative blocking was ultra vires Rule 86A.*"

Final Verdict

The impugned order dated 8 January 2025 was quashed and set aside to the extent it blocked ITC beyond Rs. 7,06,770/-. A Writ of Mandamus was issued directing the respondents to unblock ITC in excess of Rs. 7,06,770/- within 15 days of uploading of the order. The Rule was made partly absolute with no order as to costs.

ADDITIONAL FOOTNOTES

Cases Referred by Court

#	Case Name	Citation
1	Samay Alloys India Pvt Ltd vs. State of Gujarat	(2022) SCC OnLine 2595 Guj.
2	Laxmi Fine Chem vs. Assistant Commissioner	(2024) SCC OnLine 2328 TS
3	Best Crop Science Pvt Ltd vs. Principal Commissioner, CGST, Meerut & Ors	(2024) SCC OnLine 7992 (Del.)
4	Karuna Rajendra Ringshia Proprietor R R Enterprises vs. Commissioner of CGST & Ors	WP(C) No. 7250/2024, decided on 21/10/2024 (Del.)
5	Rawman Metal & Alloyes vs. Deputy Commissioner of State Tax, Thane	2025 10 TMI 489 (Bombay HC)
6	R. M. Dairy Products LLP vs. State of Uttar Pradesh *(relied upon by Respondents; not followed)*	2021 (7) TR 4405 (Allahabad HC)

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