Kalaimahal Cements Private Limited vs. The Commercial Tax Officer

Challenge to blocking of Input Tax Credit (ITC) under Rule 86A of the GST Rules in the Electronic Credit Ledger of the Petitioner, where the petitioner's own Managing Director's statement indicated availment of ITC on bogus invoices.

Date of Order: February 26, 2026
Case Law No: GIB-MHC-2026-43
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

Background

The petitioner, Kalaimahal Cements Private Limited (GSTIN: 33AAGCK4135K1ZK), had its ITC blocked vide Reference No. **BL331225000020 4 dated 05.12.2025** for the tax period **01.10.2025 to 31.12.2025** under Rule 86A of the GST Rules by the Commercial Tax Officer, Virudhachalam Assessment Circle, Cuddalore.

Crucially, on the previous day i.e., **04.12.2025**, an inspection was conducted by the authorities, wherein **statements were recorded from the petitioner's Managing Director, Ms. R. Kavitha Ramesh**, from which it was apparent that the petitioner had been availing ITC on the basis of **bogus/block invoices**. It was in this background that the ITC was blocked on 05.12.2025.

The petitioner raised two grounds before the Court: (i) that there was no valid basis for blocking ITC under Rule 86A; and (ii) that only an Assistant Commissioner or a Senior Officer is competent to block ITC under Rule 86A, and therefore the blocking by the Commercial Tax Officer was without jurisdiction.

Court Observations (Verbatim)

On the first ground of challenge to blocking:

"*It is in this background, the Input Tax Credit was blocked on 05.12.2025 vide impugned proceedings. Therefore, the challenge to the blocking of the Input Tax Credit under Rule 86A of the respective GST Rules on this count cannot be countenanced.*"

On the second ground regarding competency/jurisdiction, the Court relied upon the Madurai Bench

decision in **W.P.(MD).No.21670 of 2025** and quoted the following observations therefrom:

"*18. Rules 86A(2) contemplates that the Commissioner or the Officer authorised by him under Sub Rule 1, may, upon being satisfied that the condition disallowing the debit of electronic credit no longer existed and allow such credit.*

19. However, considering the fact that notice has been issued in Form GST DRC 01, it is unlikely that the power will be exercised under Rule 86A(2) of the respective GST Rules. The question as to whether the proceedings were within the power of the State Tax Officer and contrary to the requirements of the circular dated 02.11.2021 bearing reference CBEC-20/16/05/2021-GST is concerned, it has to be construed that the senior official would have authorised the blocking of the credit.

20. There is a clear embargo under Rule 86A, officer below the rank of Assistant Commissioner not to block where credit has been availed fraudulently or the credit is ineligible. However, the blocking would have been made with the permission of the senior in the hierarchy. That apart, it is the internal matter and particularly in the light of the fact that the notice has been issued in Form GST DRC 01 dated 07.07.2025 by State Tax Officer. The State Tax Officer is a proper officer for issuance of show cause notice also proper officer under Rule 74. Therefore, the objection on the jurisdiction cannot be countenanced."

Final Verdict

The Writ Petition was **dismissed**. The Court upheld the blocking of ITC in view of the Managing Director's own admission during inspection. Liberty was granted to the petitioner to file a representation before the concerned officer, who shall pass appropriate orders **within 30 days** of receipt of a copy of this order. The petitioner shall be heard before final orders are passed.

ADDITIONAL FOOTNOTES

Cases Referred by Court

S.No.	Case Name	Citation/Reference
1.	Judgment of Madurai Bench of Madras HC (unnamed petitioner)	W.P.(MD).No.21670 of 2025 (Madurai Bench, Madras HC)
2.	Indian Trades vs. The Commercial Tax Officer and Ors.	W.A.(MD).No.3185 of 2025, Division Bench of Madras HC, order dated 09.12.2025

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