

Tvl. Fathima Traders vs. The Deputy Commercial Tax Officer,

Whether Input Tax Credit can be rejected solely on the ground that the supplier's GST registration was cancelled with retrospective effect, without examining whether the purchaser had established genuine receipt of goods.

Date of Order: June 12, 2026
Case Law No: GIB-MHC-2026-58
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CASE DESCRIPTION / SUMMARY

Background

The petitioner challenged three assessment orders dated 05.06.2023 covering three distinct assessment periods (2019-20, 2020-21 and 2021-22), primarily on the ground that the supplier was a registered person on the date when the relevant transactions took place. ITC had been denied to the petitioner solely because the supplier's GST registration was subsequently cancelled with retrospective effect.

Facts

The petitioner assailed the orders dated 05.06.2023 contending that ITC was denied solely on the ground of retrospective cancellation of the supplier's registration. The petitioner relied on an earlier order of the same Court dated 15.02.2024 in W.P. No. 3505 of 2024 (M/s. Engineering Tools Corporation v. The Assistant Commissioner (ST), Vepery), where orders were set aside in substantially similar facts. The Government Counsel responded that some of the invoices from the supplier were issued after the actual cancellation date and that the petitioner had not submitted documents to establish that the supplies were genuinely received. The Court noted that the respondent had admitted, at paragraph 8 of the counter, that the supplier's registration was cancelled by order dated 06.12.2022, that the impugned orders record the date of supply, and that most of the transactions were prior to the cancellation. The impugned orders rejected the ITC claim solely on the ground of the retrospective cancellation of the supplier's registration.

Court Observations (Verbatim)

Para 4 (quoting the earlier order dated 15.02.2024 in Engineering Tools Corporation): "The

petitioner purchased goods in 2017-2018 and, at the highest, the petitioner may be called upon to produce evidence of the existence of the supplier at the relevant point of time. In addition, the petitioner may be called upon to prove that the transaction was genuine by providing relevant documents such as tax invoices, e-way bills, lorry receipts, delivery challans, proof for payment and the like. In the case at hand, it appears that the petitioner submitted such documents but these documents were disregarded. The impugned assessment order is unsustainable in the facts and circumstances... The ITC claim shall not be rejected upon such reconsideration solely on the ground that the supplier's GST registration was cancelled with retrospective effect..."

Para 5: "The orders impugned herein record the date of supply. Most of the transactions are prior thereto. The impugned orders also reject the Input Tax Credit claim of the petitioner solely on the ground of the retrospective cancellation of the petitioner's supplier's registration. For reasons set out in the earlier order dated 15.02.2024, the impugned orders cannot be sustained. In other words, without examining as to whether the petitioner had established supply of goods by submitting invoices, e-way bills, lorry receipts and the like, the petitioner's claim should not have been rejected solely on the ground of the retrospective cancellation of the suppliers registration."

Para 6: "Hence, orders impugned herein are set aside and the matter is remanded for reconsideration. After providing a reasonable opportunity to the petitioner, fresh order shall be issued within three months from the date of receipt of a copy of this order."

Verdict

The impugned orders dated 05.06.2023 were set aside and the matter remanded for reconsideration. The ITC claim could not be rejected solely on the ground of retrospective cancellation of the supplier's registration without examining whether the petitioner had established genuine supply through invoices, e-way bills, lorry receipts and the like. A fresh order is to be passed within three months after affording the petitioner a reasonable opportunity.

Cases Referred by the Court

- Engineering Tools Corporation v. The Assistant Commissioner (ST), Vepery, Chennai 600 003 — W.P. No. 3505 of 2024, order dated 15.02.2024 (Madras High Court) — relied upon and followed (no neutral citation furnished in the uploaded copy).

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