IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION

WRIT PETITION NO. 1222 OF 2025

S S Gold … Petitioner

Versus

Union of India & Ors. … Respondents

Mr. Avinash Poddar i/b Ms. Deepali Kamble (through VC) for the Petitioner.
Mr. Amar Mishra, AGP for the Respondent-State.
Ms. Megha Bajoria a/w. Ms. Khushi P. Agarwal for the Respondent-UoI.

CORAM : M. S. KARNIK AND SANDESH D. PATIL, JJ.

DATED : 17th SEPTEMBER, 2026.

P.C. :

1. Heard learned counsel for the petitioner and learned AGP for the respondent-State.

2. By this petition under Article 226 of the Constitution of India, the petitioner-company prays for the following reliefs in terms of prayer clause (A) which reads thus: -

> "(A) Issue a writ of certiorari or writ in the nature of certiorari or any other appropriate writ or order quashing and setting aside the Order of blocking of ITC under Rule 86A along with attachment notice amounting to Rs.7,16,01,876/- dated 17.05.2024."

3. The facts of the case in brief are that the petitioner is holding GST registration. The petitioner's Electronic Credit Ledger was blocked to the amount of Rs.7,16,01,876/- on 17th May, 2024. The available ITC balance for the month of May, 2024 was Rs. 2,41,642/- which was utilized, resulting in a negative balance of Rs.7,13,60,234/- reflecting on the GSTN (Common Portal). The only reason reflected on the GSTN (Common Portal) for this action is "Supplier found non-functioning, Registration of supplier has been cancelled".

4. It is the contention of the learned counsel for the petitioner that no specific supplier's name is mentioned on the GSTN (Common Portal), which renders the reasoning vague and cryptic.

5. It is then submitted by the learned counsel for the petitioner that on 17th May, 2024, when the ITC of Rs.7,16,01,876/- was blocked, the petitioner's Electronic Credit Ledger reflected an ITC balance of only Rs.2,41,642/-. Therefore, there was no basis for blocking any further ITC. Following this blocking action, the Petitioner's Electronic Credit Ledger showed a negative balance of Rs.7,13,60,234/-. Learned counsel for the petitioner states that the

business is at a stand still.

6. We have heard learned AGP for the respondents, who argued in support of the impugned order.

7. So far as the negative blocking is concerned, learned counsel for the petitioner relied upon the decision of the High Court of Gujarat in **Samay Alloys India Pvt. Ltd. Vs. State of Gujarat** decided on 3rd February, 2022. However, in view of the passage of time and the provisions of Rule 86A of the CGST Rules, 2017 the issue of negative blocking need not now be gone into by us.

8. Relevant for a decision is Rule 86A which reads thus:-

> **"86A. Conditions of use of amount available in electronic credit ledger**
>
> (1) The Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, having reasons to believe that credit of input tax available in the electronic credit ledger has been fraudulently availed or is ineligible in as much as-
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> a) the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36-
>
> i. issued by a registered person who has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or

ii. without receipt of goods or services or both; or

b) the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 in respect of any supply, the tax charged in respect of which has not been paid to the Government; or

c) the registered person availing the credit of input tax has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or

d) the registered person availing any credit of input tax is not in possession of a tax invoice or debit note or any other document prescribed under rule 36,

may, for reasons to be recorded in writing, not allow debit of an amount equivalent to such credit in electronic credit ledger for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.

(2) The Commissioner, or the officer authorised by him under sub-rule (1) may, upon being satisfied that conditions for disallowing debit of electronic credit ledger as above, no longer exist, allow such debit.

(3) Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction."

9. Rule 86A (3) provides that the restriction imposed under Rule 86A shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction. The restriction in

the present case on the input tax credit was imposed on 17th May, 2024. The period one year stated in terms of Clause 3 of Rule 86A has since expired.

10. The petition will therefore have to be allowed and is accordingly allowed in terms of prayer clause (A).

11. So far as prayer clauses (B) and (C) are concerned, learned counsel for the petitioner on instructions submits that he would not be pressing reliefs in terms of prayer clauses (B) and (C) for which he may be allowed to avail the alternate efficacious remedy available if necessary. Keeping this liberty of the petitioner open to avail the alternate remedy available to the petitioner for pursuing reliefs in terms of prayer clauses (B) and (C), the petition is allowed in terms of prayer clause (A).

12. So far as prayer clauses (B) and (C) are concerned, all the rights and contentions of the parties are kept open.

13. The petition is disposed of.

(SANDESH D. PATIL, J.) **(M. S. KARNIK, J.)**