HC-KAR

NC: 2026:KHC:16606
WP No. 7319 of 2026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 24TH DAY OF MARCH, 2026

BEFORE

THE HON'BLE MR. JUSTICE S SUNIL DUTT YADAV

WRIT PETITION NO. 7319 OF 2026 (T-RES)

BETWEEN:

M/S SARAH
NO. 36, II FLOOR, SHUKRA
15TH CROSS
OPPOSITE ICICI BANK
MALLESHWARAM
BENGALURU 560 003
REPRESENTED BY ITS PROPRIETRIX
SMT. MUKTHA ADLAKHA
W/O MOHAN KUMAR
AGED ABOUT 55 YEARS
PROPRIETORSHIP CONCERNED.

…PETITIONER

(BY SRI. SHREEHARI., ADVOCATE)

AND:

Digitally signed by VIJAYA P
Location: HIGH COURT OF KARNATAKA

1. ASSISTANT COMMISIONER CENTRAL TAX
OFFICE OF THE COMMISSIONER OF CENTRAL TAX
BENGALURU NORTH COMMISSIONERATE
NO. 59, HMT BHAVAN
BELLARY ROAD, GANGANAGARA
BENGALURU 560 032.

2. THE PRINCIPAL COMMISSIONER OF CENTRAL TAX
OFFICE OF THE PRINCIPAL CHIEF
COMMISSIONER OF CENTRAL TAX
BENGALURU ZONE, GROUND FLOOR
CR BUILDING, QUEENS ROAD
SHIVAJI NAGAR, BENGALURU 560 001.

…RESPONDENTS

(BY SRI. ARAVIND V CHAVAN., ADVOCATE)

THIS WP IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO QUASHING THE ACTION OF RESPONDENT NO.1 IN BLOCKING THE PETITIONERS ELECTRONIC CREDIT LEDGER UNDER RULE 86A OF THE CENTRAL GOODS AND SERVICES TAX RULES, 2017, VIDE REFERENCE NO.BL2911240000341 DATED 21.11.2024 (ANNEXURE A1 AND A2).

THIS PETITION, COMING ON FOR PRELIMINARY HEARING, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE S SUNIL DUTT YADAV

ORAL ORDER

Petitioner has called in question the action of respondent No.1 in blocking the petitioners' electronic credit ledger, which action was invoked pursuant to the power conferred under Rule 86A of the Central Goods and Service Tax Rules, 2017 (for short 'CGST Rules').

2. The only point that would be of relevance at this stage is that the electronic credit ledger was blocked on 21.11.2024 on the ground that the Input Tax Credit was claimed without receipt of goods/services. Such fact is evident from Annexure-A1.

3. Rule 86A of the Rules reads as follows:

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

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.

4. In light of Rule 86A(3), the restriction imposed by blocking the electronic credit ledger ought to cease to have effect after the expiry of a period of one year from the date of imposition of such restriction. Taking note of

the assertion of the petitioner that the act of blocking the electronic credit ledger is subsisting till date, in light of the mandate under Rule 86A of the Rules, the blocking of electronic credit ledger ought to have stopped operating after the expiry of one year from 21.11.2024.

5. Accordingly, it is declared that the action of continuance of blocking of electronic credit ledger is illegal and blocking is deemed to have ceased to be in operation after the period of 12 months from 21.11.2024. Respondent - Authorities to unblock electronic credit ledger forthwith.

6. In light of the above, petition is ***disposed of***.

SD/-
(S SUNIL DUTT YADAV)
JUDGE

VP
List No.: 1 Sl No.: 24