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WP No. 31010 of 2025



IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 08-10-2025

CORAM

THE HONOURABLE MR JUSTICE C. SARAVANAN

WP No. 31010 of 2025

AND

WMP NO. 34743 OF 2025

1. V V Steels

Represented by Proprietor

Mr. Shanmugam Selvaraj SF No.452 2,

Shakthi Nagar Colony, North Zone,

Ganapathy, Coimbatore 641006

Petitioner(s)

Vs

1. The Assistant Commissioner Of Gst

And Central Excise

Coimbatore Ii Division, 3rd Floor

Aadithya Towers, 1667 Trichy Road,

Ramanathapuram, Coimbatore 641

045.

2. The Joint Commissioner St

Intelligence Commercial Taxes

Building Reserve Line Road,

Palayamkottai. Tirunelveli 627002

Respondent(s)



PRAYER

directing the first Respondent to forthwith unblock the Petitioners Electronic Credit Ledger, which was blocked under Rule 86A(1) of the Central Goods and Services Tax Rules, 2017 by the first Respondent vide Reference No.BL3312240000519 dated 12.12.2024, in respect of GSTIN No. 33FXAPS6142D1ZN, and pass

For Respondent(s): Mr. Sai Srujan Tayi Senior Panel
Counsel Takes Notice For R1.
Ms. Amirta Poonkodi Dinakaran
Govt Advocate Takes Notice For
R2.
M/s.Sai Srujan Tayi, Sr Sc, Pooja
Jain, Jr Sc For R1 Memo
Dt.22/09/2025

ORDER

This Writ Petition is being disposed of after hearing the learned counsel for the Petitioner and the learned counsels appearing for the respective Respondents.

2. The petitioner is assessed with the first respondent / the Assistant Commissioner of GST and Central Excise. It appears that the petitioner had transactions with one PSN Traders within the jurisdiction of the second respondent / State Authority.



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3. It appears that proceedings had been initiated against the PSN Traders on the ground that the PSN Traders was carrying-on business without physical presence and therefore, the registration of the said supplier viz., PSR Traders was liable to be cancelled. Based on the aforesaid input, the first respondent has blocked the Input Tax Credit of the petitioner on 12.12.2024.

4. The learned counsel for the petitioner would submit that the Office of the first respondent has itself addressed a communication to the Office of the second respondent on 28.05.2025, wherein they have stated as follows:

However, the taxpayer (M/s.VV Steels) had submitted all the details like e-way bill, purchase/sales invoices/payment slips and bank transaction with their supplier (M/s.PSN Traders) and on verification of their transactions with the supplier, it appeared to be in order.

5. The learned counsel for the petitioner would submit that the first respondent is bound to exercise powers under Section 86 A (2) of the respective GST Rules. In this connection, the learned counsel for the petitioner has also



placed on record a guidelines of the Central Board of Indirect Taxes and

Customs, GST Policy Wing dated 02.11.2021, wherein it has been clarified as

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under:

3.4 Allowing debit of disallowed/restricted credit under sub-rule (2) of Rule 86A:

3.4.1 The Commissioner or the authorized officer, as the case may be, either on his own or based on the submissions made by the taxpayer with material evidence thereof, may examine the matter afresh and on being satisfied that the input tax credit, initially considered to be fraudulently availed or ineligible as per conditions of sub-rule (1) of rule 86A, is no more ineligible or wrongly availed, either partially or fully, may allow the use of the credit, so disallowed/restricted, up to the extent of eligibility, as per powers granted under sub-rule (2) of rule 86A. Reasons for allowing the debit of electronic credit ledger, which had been earlier disallowed, shall be duly recorded on file in writing, before allowing such debit of electronic credit ledger.

3.4.2 The restriction imposed as per sub-rule (1) of rule 86A shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction. In other words, upon expiry of one year from the date of restriction, the registered person would be able to debit input tax credit so disallowed, subject to any other action that may be taken against the registered person.

3.4.3 As the restriction on debit of electronic credit ledger under sub-rule (1) of rule 86A is resorted to protect the interests of the revenue and the said action also has bearing on the working capital of the registered person, it should be endeavored that in all such cases, the investigation and adjudication are completed at the earliest, well within the period of restriction, so that the due liability arising out of the same can be recovered from the said taxable person and the purpose of disallowing debit from electronic credit ledger is achieved.

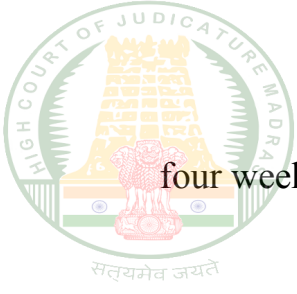
6. The learned counsel for the first respondent would submit that the petitioner's request for unblocking of the Input Tax Credit will be considered in the light of the subsequent developments.



7. It is submitted that the petitioner has rushed to the Court immediately after giving a representation and therefore, the first respondent did not get time to pass any orders under Rule 86 A of the respective GST Rules.

8. The learned counsels for both the respondents would submit that investigations are still incomplete as far as the supplies of the PSN Traders, from whom the petitioner had allegedly purchased goods and had availed Input Tax Credit and therefore, pending period of one year, the credit need not be unblocked in terms of the sub clause 3 (2) to 8 A of the respective GST enactments.

9. Having considered the submissions made by the learned counsel for the petitioner and the learned counsels appearing for the respective respondents and taking note of the reply of the Superintendent attached to the Office of the first respondent to the Office of the second respondent, I direct the first respondent to pass appropriate orders after getting necessary inputs from the Office of the second respondent as expeditiously as possible, preferably, within a period of



four weeks from the date of receipt of a copy of this order.

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10. Needless to state, before passing any such order, the petitioner be heard.

11. This Writ Petition stands disposed of with the above observations. No costs. Connected Writ Miscellaneous Petition is closed.

08-10-2025

Index: Yes/No

Speaking/Non-speaking order

Internet: Yes

Neutral Citation: Yes/No

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C.SARAVANAN J.

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