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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

\+ **W.P.(C) 5569/2025 & CM APPL. 25398/2025**

SAANVI ENTERPRISES .....Petitioner

Through: Mr. Jitin Singhal, Mr. Pravesh Bahuguna and Ms. Megha Advocates.

versus

PR. ADG, DGGI, GURUGRAM & ANR. .....Respondents

Through: Mr. Harpreet Singh, SSC with Ms. Suhani Mathur and Mr. Jai Ahuja, Advocates.

CORAM:
JUSTICE PRATHIBA M. SINGH
JUSTICE RAJNEESH KUMAR GUPTA

O R D E R

% **29.04.2025**

1. This hearing has been done through hybrid mode.

CM APPL. 25399/2025 (for exemption)

2. Exemption allowed, subject to all just exceptions.

3. The application is disposed of.

W.P.(C) 5569/2025 & CM APPL. 25398/2025

4. The present petition has been filed under Article 226 and 227 of the Constitution of India challenging the impugned order dated 28th March, 2024. passed by the Deputy Director, Directorate General of GST Intelligence, Gurugram (hereinafter *'DGGI'*). During the investigation, the Respondent, *vide* the impugned order has blocked the Petitioner's Input Tax Credit *(hereinafter, 'ITC')* to the tune of Rs. 32,68,778/- [Rs.16,34,389/- as CGST

and Rs.16,34,389 as SGST].

5. In this petition, it has been further averred that subsequent to the said blocking, a show cause notice dated 3rd August, 2024 and the consequent Order-in-Original dated 12th February, 2025, denying the ITC to the tune of Rs.29,13,246/- has also been passed against Petitioner. The ld. Additional Commissioner, Central Tax, Delhi *vide* Order-in-Original dated 12th February, 2025 has *inter alia* denied the ITC of Rs.29,13,246/- (Rs.14,56,623 as CGST and Rs. 14,56,623 as SGST); and further imposed penalties The relevant portions of the petition are set out below:

> *"2. That the facts leading to filing of the present writ petition are stated, et seriatim, as under: -*
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> *ii. During the course of investigation, the respondent no.2 has blocked the ITC of Rs. 3,91,23,722/- [Rs. 1,95,61,861/- as CGST and Rs. 1,95,61,861/- as SGST] on 15.01.2024 from the electronic credit ledger of the petitioner against the balance ITC of Rs. 24,05,827/- [Rs. 9,49,204 as CGST and Rs. 14,56,623/- as SGST]. As a result, the ITC available in the electronic credit ledger of the petitioner is in negative i.e. Rs.-3,67,17,895/- [Rs. -1,86,12,657/- as CGST and Rs. -1,86,12,657/- as SGST]. The said action by the respondent no.2 is against the law laid down by this Hon'ble Court in the case of Best Crop Science Pvt. Ltd. Vs Pr. Commissioner, CGST (2024) 22 Centax 531 (Del.).*
>
> *iii. Thereafter, a show cause dated 03.08.2024 has been issued by the department wherein it was proposed to deny the ITC along with imposition of penalties.*
>
> *iv. The appellant filed its reply on 21.10.2024 denying each and every allegation levelled in the show cause notice.*
>
> *v. **However, the learned Additional Commissioner, Central Tax, Delhi vide Order-in-Original vide Order-in-Original No.204/ADC/D.N./Bhavan Meena/2024-25 dated 04.02.2025 denied the ITC of Rs.29,13,246/- (Rs.14,56,623 as CGST and Rs. 14,56,623 as SGST) and further imposed penalties on the petitioner. However, in DRC-07 the***

<u>demand confirmed was Rs. 55,38,110/- (Rs. 14,56,623 as CGST, Rs. 14,56,623 as SGST and Rs. 26,24,864 as IGST). The true copy of DRC-07 dated 12.02.2025 passed by the learned Additional Commissioner, Central Tax, Delhi is enclosed herewith as Annexure P-3</u>.”

6. Further, ld. Counsel for the Petitioner submits that the Petitioner is in the course of filing an appeal challenging the Order-in-Original dated 12th February, 2025.

7. In any event it is his submission that the blocking of the ITC took place for the period 1st January, 2024 to 31st December, 2024 but even at present, *i.e.*, as on April, 2025, the same has not been unblocked. The credit ledger cannot be blocked beyond a period of one year, as stipulated under Rule 86A of the CGST Rules, 2017.

8. Mr. Harpreet Singh, learned Counsel for Respondents submits that the blocking may be due to the allegation of the Petitioner being a non-existing firm. However, he concedes to the fact that there can be no doubt that the blocking is for a period of one year.

9. Heard the Parties. The relevant Rule 86(A)(3) is set out herein below:

> *“**1 [Rule 86A : Conditions of use of amount available in electronic credit ledger***
> *xxxxxx*
> *(3) **<u>Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction.</u>**]”*

10. A plain reading of the above provision makes the statutory position abundantly clear. Accordingly, in view of the fact that more than one year has elapsed since the imposition of restriction, the blocking of the Input Tax Credit (ITC) shall stand lifted. This is, however, independent of any other

action that the adjudicating authority may have taken, in accordance with law, against the Petitioner.

11. The petition is disposed of in said terms. Pending applications, if any, are also disposed of.

PRATHIBA M. SINGH, J

RAJNEESH KUMAR GUPTA, J

APRIL 29, 2025/*da/Ar.*