

Prajakta Vartak

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
WRIT PETITION NO. 655 OF 2026**

Florida Solvent Private Limited ...Petitioner
Vs
The Superintendent, CGST and Central Excise,
Range II, Division II, Thane Commissionerate & Ors. ...Respondents

Mr. P. B. Shah i/b. Mr. Kayval Shah for the Petitioner.
Mrs. Shehnaz Bharucha and Mr. Harshad Shinganapurkar for Respondents.

**CORAM: G. S. KULKARNI &
AARTI SATHE, JJ.
DATE: 1 APRIL 2026.**

P.C.

1. We have heard Mr. Praful Shah, learned counsel for the petitioner, and Mrs. Bharucha, learned counsel for the respondents.
2. The order impugned in this petition is the Order-in-Original dated 04 December 2025 (issued on 05 December 2025), whereby the petitioner's registration has been cancelled in terms of the following operative order:-

ORDER

16. I order to maintain & continue the ab-initio cancellation of the Tax Payer GSTIN as the same is justifiable, sustainable & tenable in GST Law, in view of Discussion & Findings mentioned in the foregoing paras, under the provisions of Section 29(2)(a), Section 29(2)(e) of CGST Act, 2017 & Rule 21(e) of CGST Rules, 2017."

3. Mr. Shah has drawn our attention to paragraphs 9 and 10 of the impugned order to contend that the same has been passed on complete non-application of mind and without taking into consideration the material facts placed on record by the petitioner. He would further submit that one of the Directors of the

petitioner, who is suffering from cancer, was unable to remain present for the personal hearing. For such reason, the documents submitted by the petitioner have been discarded. In order to appreciate Mr. Shah's submission, it is necessary to refer to the findings recorded by the Superintendent, CGST & Central Excise, Range-II, Division-II, Thane Commissionerate, which read thus:-

“However, I find that the present case under reference is pertaining to the Supplier M/s.Swastik Trading and not M/s.Zeel Enterprises. I also observe that there are many more Suppliers/Receivers mentioned in the above paras of this order which are directly involved in this case. Hence, in my view though the issue is identical, the two cases of M/s. Zeel Enterprises & M/s. Swastik Trading have been dealt with by the GST Department separately, Hence, the case of M/s. Zeel Enterprises has no relevance with the case of M/s.Swastik Trading. Therefore, the argument of the Tax payer that the matter is sub judice and no action be taken till the finalization of the appeal, is not acceptable. On the contrary, the Tax Demand Order (Ref No. ZD2703243056079A) submitted by the Taxpayer, regarding fake ITC from M/s Zeel Enterprises, indicates a history of availing fraudulent ITC and non-compliance with summons by failing to join the investigation. The referred Demand Order denotes the confirmation of demand raised by the SGST Department. In light of the aforementioned circumstances, the Taxpayer's GST returns are subject to further analysis. Also, the documents submitted by the Taxpayer are under scrutiny.

13.1 In light of the above history & facts on record, based on the buyer-supplier network analysis, I find that the Taxpayer has received most of its supplies from vendors whose purchase trail, ultimately leads to an entity that has no further suppliers and functioned as a fake ITC generator. Consequently, no actual tax has been paid in this chain of fictitious transactions. All entities involved in the chain, starting from the fake ITC generator entity up to M/s Florida Solvent, have contravened Section 16(2)(c) of CGST Act, 2017. This fraudulent exercise conducted by the Tax payer with the help of other entities has resulted in hampering large amount of Govt. revenue and loss to State exchequer. The scrutiny & investigation is in progress and potential of high volume of fraud & amount is expected. In these circumstances, it was utmost necessity to cancel the GSTIN of the Tax payer ab-initio for putting the halt to this mal-practice of the Tax payer and to obstruct further loss to the Govt. revenue, until finalization of investigation. Thus, I find that the steps taken by the Department to cancel the GSTIN were in favor of Govt. revenue.”

4. On perusal of the reasons/record, it appears to be quite clear that the petitioner had furnished relevant documents, which include copies of tax invoices, e-way bills, ledger statements, bank statements etc. The allegation against the petitioner is that the petitioner availed ineligible or impugned Input Tax Credit (ITC) from certain suppliers whose GST registrations were subsequently cancelled. The petitioner has specifically contended that the mere cancellation of the suppliers' registrations cannot, by itself, constitute a sufficient ground to deny the ITC, particularly in respect of bonafide transactions undertaken by the petitioner with such suppliers. It is argued that the bonafides of the petitioner were required to be independently examined and could not have been discarded solely on account of the suppliers' registration status. There is substance in such contention as urged by Mr. Shah. We find that the impugned order does not contain any cogent finding as to whether, in the normal course of business, the petitioner had validly availed the ITC. The absence of such finding renders the order arbitrary.

5. In our opinion, considering the nature of the documents, it was expected that the designated officer would record findings on those documents without merely being influenced by the fact that the registration of the suppliers in some cases stood cancelled, in what facts and circumstances we are not aware, such cancellation solely cannot itself be the basis for the cancellation of the petitioner's registration, unless the same is corroborated by tangible materials that the petitioner in some manner as the law would consider was a beneficiary of an established illegality qua the ITC benefit claimed by it. The reason being any

fraud in the availment of ITC is a serious conduct, prejudicial to not only the overall interest of trade and commerce but also against the public policy. Thus, it is an obligation on the part of the designated officer to record the entire trail of any such illegal involvement in a given case. This is what is lacking in the present case. Hence such aspects are required to be examined, and specific findings in that regard are required to be recorded.

6. In the aforesaid circumstances, we are of the opinion that the proceedings need to be remanded back to the Superintendent, CGST & Central Excise, Range-II, Division-II, Thane Commissionerate, for a fresh order to be passed in accordance with law after granting an opportunity of a hearing to the petitioner. For such reasons, we are accordingly inclined to set aside the impugned order, cancelling the petitioner's registration.

7. Let the petitioner appear before the said authorities on **08 April 2026** at 11.00 a.m., and a convenient date thereafter be fixed for hearing, and appropriate orders be passed within a period of two weeks from the date of such hearing.

8. All contentions of the parties are expressly kept open.

9. At this stage, Mrs. Bharucha has stated that the investigation is in progress. We cannot, in any manner, preclude the authorities from conducting any investigation or taking appropriate action based on its findings in accordance with law.

10. The petition is disposed of in the aforesaid terms. No costs.

(AARTI SATHE, J.)

(G. S. KULKARNI, J.)