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

Date of Decision: 28th April, 2025

+ **W.P.(C) 5438/2025 and CM APPL No. 24762/2025 & 24763/2025**

SHRI SAI RAM ENTERPRISESPetitioner

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

Prathiba M. Singh, J. (Oral)

1. This hearing has been done through hybrid mode.

CM APPL.24763/2025 (Exemption)

2. Exemption allowed, subject to all just exceptions.

3. The application is disposed of.

W.P.(C) 5438/2025 and CM APPL No. 24762/2025

4. The present petition has been filed by the Petitioner– Shri Sai Ram Enterprises challenging the blocking of the Input Tax Credit (*hereinafter*, ‘ITC’) of Rs. 3,91,23,722/- by the Deputy Director, Directorate General of GST Intelligence, Gurugram on 15th January, 2024.

5. The submission on behalf of the Petitioner is that the blocking of the ITC took place for the period 1st January, 2024 to 31st November, 2024 but even at present, i.e., as on April, 2025, the same has not been unblocked.

6. Learned Counsel for the Petitioner relies upon Rule 86A of the Central



Goods and Services Tax Rules, 2017 which lays down the conditions of use of amount available in electronic credit ledger.

7. 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.

8. The relevant Rule 86(A)(3) is set out herein below:

“1 [Rule 86A : Conditions of use of amount available in electronic credit ledger

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(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. In this petition, it has been averred that the show cause notice was issued upon the Petitioner on 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 been passed. In addition, the Order-in-Original dated 12th February, 2025 has confirmed the demand to the tune of Rs.55,38,110/-. 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: -

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 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.”

10. 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.

11. In any event it is his submission that the credit ledger cannot be blocked beyond the period of one year, as stipulated under Rule 86A of the CGST Rules, 2017.

12. Considering the statutory position, the blocking of the ITC shall be lifted in view of the fact that it has been more than one year. This is however independent of any other action that the adjudicating authority may have taken, in accordance with law, against the Petitioner.



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

**PRATHIBA M. SINGH
JUDGE**

**RAJNEESH KUMAR GUPTA
JUDGE**

APRIL 28, 2025/SV/ss

