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IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 28.08.2026

CORAM

THE HON'BLE MR JUSTICE SENTHILKUMAR RAMAMOORTHY

WP No. 28502 of 2026

Tvl Nualco Private Limited
Flat No.21, Ambattur Industrial Estate
Chennai – 600 058
Rep by its MD Mr. John Eapen Puthusseril

..Petitioner

Vs

Office of the Assistant Commissioner (ST)
Ambattur Industrial Estate Assessment Circle,
Integrated Commercial Taxes and Registration
Department Building 3rd Floor, Nandanam,
Chennai 600 035

..Respondent

Petition filed under Article 226 of the Constitution of India praying for issuance of Writ of Certiorarified Mandamus to call for the records of the Respondent in Notice Of Intimation in GSTN33AAFCN7399M1ZQ dated 16.06.2026 issued under Rule 86-A of the TNGST Rules, 2017 and quash the same, and to direct the respondent to unblock the input tax credit ledger of the petitioner.

For Petitioner: Mr.Rupesh Sharma

For Respondent: Ms. Amirta Poonkodi Dinakaran,
Additional Government Pleader (Tax)

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ORDER

A notice dated 16.06.2026 blocking the Input Tax Credit (ITC) in relation to alleged supplies received by the petitioner from Vetrivel Traders is challenged in this writ petition.

2. Learned Counsel for the petitioner submits that proceedings under Section 74A of applicable GST enactments were initiated and said proceedings culminated in order dated 25.08.2026. As a result, he contends that the petitioner has the statutory right to file an appeal under Section 107 of applicable GST enactments.

3. Relying on sub-section (7) of Section 107, learned counsel submits that recovery proceedings for the balance 90% are deemed to be stayed subject to fulfillment of pre-deposit requirements. For purposes of said pre-deposit, he submits further that the petitioner is entitled to utilize the amounts available in the electronic credit ledger. He relies on sub-section (4) of Section 49 in this regard.

4. Therefore, learned counsel contends that the statutory right of the petitioner to file an appeal and make the pre-deposit by utilizing the amounts available in the electronic credit ledger have been denied to the petitioner by invoking Rule 86A. He contends further that Rule 86A is subservient to the statute and should not be used to deny a statutory

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right. He also contends that the petitioner submitted all relevant documents to establish eligibility for ITC under Section 16.

5. Responding to these contentions, Ms. Amirta Poonkodi Dinakaran, learned Additional Government Pleader (Tax), submits that blocking of credit was resorted to in respect of supplies received from Vetrivel Traders. Turning to the assessment order, she points out that it is recorded therein that the premises of Vetrivel Traders was inspected and it was found that there was no physical stock at said premises. She also points out that a finding was entered that Vetrivel Traders is a bill trader. Therefore, she contends that the facts and circumstances justify blocking of credit.

6. Section 16(1) enables the Central Government to frame rules imposing conditions and restrictions with regard to the availment and utilization of ITC. Rule 86A was framed pursuant thereto. Said Rule reads as under:

> *Rule 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*

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has been fraudulently availed or is ineligible inasmuch 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 rue 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.

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(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.

7. Being a provisional measure, sub-rule (3) prescribes the maximum life span of one year. The pre-condition for blocking credit is recording of reasons in writing for such blocking. The impugned notice sets out reasons for blocking credit in relation to supplies received from Vetrivel Traders.

8. The principal ground of challenge by the petitioner is that such blocking deprives the petitioner of the statutory right to use amounts lying in the electronic credit ledger for making the pre-deposit under Section 107. Reliance was placed in this regard on sub-section (4) of Section 49. Said sub-section is set out below:

(4) The amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act in such manner and subject to such conditions and restrictions and within such time as may be prescribed.

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9. The text of sub-section (4) indicates that amounts available in the electronic credit ledger may be utilized for making payments towards output tax under this Act or under the IGST Act subject to such conditions and restrictions as may be prescribed. Therefore, the right under sub-section (4) of Section 49 is not unfettered. It becomes necessary to read Sections 107 and 49 with Rule 86A. If so read, the conclusion that follows is that a person lodging an appeal is ordinarily entitled to use the amount available in the electronic credit ledger to discharge liabilities, including pre-deposit requirements. This course of action is, however, impermissible in cases where a blocking order has been issued under Rule 86A. For these reasons, I am unable to countenance the contention of learned counsel that Section 49(4) confers an absolute right to use amounts available in the electronic credit ledger.

10. The petitioner has filed an application requesting for unblocking of the electronic credit ledger. Said application was made recently on 27.08.2026. Sub-rule (2) of Rule 86A enables the taxable person to request for unblocking. It also empowers the Commissioner or officer authorised by him to allow debits if satisfied that the conditions for blocking do not exist any longer. Considering the fact that the application for unblocking has been made, it is just and necessary that such application be dealt with expeditiously. Therefore, this writ petition is disposed of by directing the respondent to consider the petitioner's

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request for unblocking. If the request were to be accepted, it is not necessary to issue an order in writing. If it is proposed to reject the request, a speaking order shall be issued within one month from the receipt of a copy of this order, after providing a reasonable opportunity to the petitioner. There shall be no order as to costs.

28.08.2026

Index: Yes
Neutral Citation: Yes
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To

The Office of the Assistant Commissioner (ST)
Ambattur Industrial Estate Assessment Circle,
Integrated Commercial Taxes and
Registration Department Building,
3rd Floor, Nandanam, Chennai 600 035

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SENTHILKUMAR RAMAMOORTHY, J.

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