HC-KAR

CNR: KAHC010471782026

NC: 2026:KHC:36310
WP No. 21373 of 2026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 15TH DAY OF JULY, 2026

BEFORE

THE HON'BLE MR. JUSTICE B M SHYAM PRASAD

WRIT PETITION NO. 21373 OF 2026 (T-RES)

BETWEEN:

VICTORY ALUMINIUM
NO.51/2, MTB ROAD,
KALASIPALYAM,
BENGALURU-560002
REPRESENTED BY ITS PARTNER,
L MOHAMMED MEERA SHAIB,
AGED ABOUT 56 YEARS,
S/O SRI LATE SUTTAN,
BENGALURU-560011

...PETITIONER

(BY SRI. SHREEHARI.,ADVOCATE)

AND:

1. DEPUTY COMMISSIONER OF
COMMERCIAL TAXES
(ENFORCEMENT)-01
SOUTH ZONE, B-BLOCK,
VTK-2, 80FT ROAD,
VIVEKNAGAR POST,
KORAMANGALA,

BANGALORE-47.

2. DEPUTY COMMISSIONER OF
COMMERCIAL TAXES
(ENFORCEMENT)-46
SOUTH ZONE, B-BLOCK,
VTK-2, 80FT ROAD,
VIVEKNAGAR POST,
KORAMANGALA, BENGALURU-47.

3. COMMISSIONER OF COMMERCIAL TAXES
VANIJYA TERIGE KARYALAYA,
KALIDASA ROAD,
GANDHI NAGAR,
BENGALURU-560009.

...RESPONDENTS

(BY SRI.K. HEMA KUMAR., AGA)

THIS WP IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO I) QUASHING THE ORDER DATED 18.06.2026 BEARING NO. ADCOM/ENF/SZ/CR-2/ITCB-02/INS-6979D/2026-27 PASSED BY RESPONDENT NO.1 UNDER RULE 86A(1) AND (2) OF THE CGST/KGST RULES, 2017, PRODUCED AS ANNEXURE C; II. DIRECTING THE RESPONDENTS TO FORTHWITH REMOVE THE RESTRICTION/BLOCKING OF THE PETITIONER'S ELECTRONIC CREDIT AND RESTORE THE PETITIONER'S INPUT TAX CREDIT AS REFLECTED IN ANNEXURE D.

THIS PETITION, COMING ON FOR PRELIMINARY HEARING, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE B M SHYAM PRASAD

ORAL ORDER

The petitioner's grievance is with the first respondent's order dated 18.06.2026 under Rule 86-A (1) and (2) of the Central Goods and Services Tax Rules, 2017/Karnataka Goods and Services Tax Rules, 2017 [for short, '*the Rules*]. The first respondent has blocked the debit of Rs.66,59,247/- from the petitioner's *Electronic Credit Ledger* with the further stipulation that even the subsequent credits arising on the strength of the impugned invoices/transactions and for the relevant period shall remain blocked subject to certain overall capital.

2. The first respondent on the opportunity extended and the petitioner's response has recorded thus:

> ***"2.7 Pre-decisional Notice/Intimation for blocking of ITC**: In continuation of the inspection findings, this office issued a Notice/Intimation under rule 86A(1) of the CGST/KGST Rules, 2017 Dated 11-06-2026,*

to the RTP, intimating the proposed blocking of the Input Tax Credit lying in its Electronic Credit Ledger, and directing it to appear for the notice proceedings on 18-06-2026, with a clear instruction that its physical presence was necessary to substantiate the genuineness of the reported transactions and to establish the bona fids of the ITC availed."

3. Sri Shreehari K., the learned counsel for the petitioner, and Sri K. Hema Kumar, the learned Additional Government Advocate who accepts notice for the respondents, are heard on whether the afore would satisfy the requirement of an opportunity as emphasized by this Court that there must be a pre-decisional hearing to block the ITC. The petitioner in terms of the summons dated 11.06.2026 has appeared on 18.06.2026 with a request for adjournment by thirty days but the order to block ITC is passed on the same day without informing the petitioner about the decision on adjournment.

4. Sri. Shreehari K. submits that the petitioner was served with summons without the details of the reasons which has prompted the proposal to block ITC and the petitioner has made a request for an adjournment. The learned counsel emphasizes that from the afore it follows that the petitioner, who did not know about the reasons for the decision to block ITC, did not have an opportunity to demonstrate the cause against the same, and therefore, this Court must intervene permitting the petitioner to use the credit in its *Electronic Credit Ledger*.

5. Sri K. Hema Kumar submits that if this Court is of the view that the petitioner must have another opportunity to show cause against the blocking of the *Electronic Credit Ledger*, there may be just orders in view of the fact that the claim for the ineligible ITC claimed is in excess of Rs.27,48,55,598/- and that this ITC is claimed on the

basis of the transaction with suppliers who are not in existence.

6. These circumstances are considered to answer whether there must be another opportunity and if there must be another opportunity, the terms upon which such opportunity must be extended. It stands out that the petitioner was called upon to appear on 18.06.2026 and on the same day, the impugned order is passed. This Court opines that the first respondent, even if inclined to pass orders without an adjournment, should have reasoned why the adjournment could not have been granted. This affords reason for this Court's interference.

7. This Court in exercise of the jurisdiction under Article 226 to the Constitution of India, to balance interests when there is an allegation of lack of opportunity and an allegation of ITC claim based on transactions with non-existing entities, must direct

the first respondent to examine all the circumstances with opportunity to the petitioner and decide on continuing the blocking as against blocking the petitioner's Electronic Credit Ledger. This Court therefore concludes on the following:

- The first respondent, who could on his own motion examine the records to ascertain whether there is any error on the face of the records under Section 161 of the Act, must begin proceedings with an opportunity to the petitioner to show a possible error in the proposition to block ITC.
- The petitioner, who has the advantage of the reasons in the impugned order, will have to file a reply thereof with all supportive documents at the earliest.

In the light of the afore, the following:

ORDER

[A] The petition stands disposed of directing the petitioner to appear with the first respondent along with a certified copy of this order on ***23.09.2026*** and file a detailed response, the first respondent shall examine the cause shown for a decision on the merits as is now made in terms of the impugned order but without restricting to the jurisdiction under Section 161 of the Act.

SD/-
(B M SHYAM PRASAD)
JUDGE

SA
Ct:sr