01.09.2026
Item No. 11
Ct. No. 10
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W.P.A. 17279 of 2026
SPL Steel Processors Private Limited
Vs.
The Commissioner of Revenue, Directorate of Commercial Taxes, Office of Charge Officer, Salt Lake Charge & Ors.

Mr. Debasish Ghosh,
Mr. Lakit Baid,
Mr. Sanjana Shaw,
Mr. Kuldeep Das .....For the Petitioner.

Ms. Manasi Mukherjee,
Mr. Bijitesh Mukherjee ... for the State Respondent.

1. Affidavit of service filed be kept with the record.
2. The present writ petition has been filed by the petitioner challenging inter alia, the action of the CGST Authorities in blocking the Electronic Credit Ledger of the petitioner for the financial years 2021-22, 2022-23 and 2023-24 for the tax period 01.02.2026 to 17.06.2026. The petitioner challenges the GST Authority's order dated 15th June, 2026 which blocked an amount of Rs.4,43,53,116/- in its Electronic Credit Ledger under Rule 86A of the CGST/WBGST Rules, 2017 alleging, inter alia, the supplier to be non-existent.

3. Learned advocate for the petitioner submits that all the purchases made by the petitioner were genuine in nature supported with documents. Thus, the blocking of the Electronic Credit Ledger is arbitrary, illegal and not sustainable in the eye of law and thus the order dated 15th June, 2026 is liable to be set aside.

4. Upon receipt of the order of blocking of the Electronic Credit Ledger, the petitioner communicated through E-mail before the authority concerned on 20th June, 2026 requesting, inter alia, to review the matter and unblock the ITC. The petitioner has been debarred from filing returns and discharging its statutory obligations in a time bound manner, thereby causing grave financial and operational difficulties, and also requested to afford an opportunity of hearing to explain the transactions with regard to the period in question.

5. Upon considering such reply the GST authorities issued notice under Section 70 of WBGST Act, 2017 for production of list of documents mentioned in Notice for the period involved herein i.e. Financial Years 2021-22 to

2023-24 on 28.06.2026 at 11.30 a.m. before respondent No. 2.

6. It is further submitted that despite request made for giving opportunity prior to decision taken for blocking electronic credit ledger under Rule 86A of CGST / WBGST Rules, 2017, the authority has taken decision without giving any opportunity to rebut the allegations made in the decision of the authority for Electronic Credit Ledger.

7. Learned advocate for the petitioner relies upon a judgment in the case of K-9 Enterprises Vs. State of Karnataka, reported (2024) 23 Centax 300 (Kar.), which was subsequently affirmed by the Hon'ble Apex Court in the case State of Karnataka Vs. K-9 Enterprises reported in (2025)30 Centax 281 (S.C.). By relying upon the relevant paragraphs which are reproduced below:-

> *"8.11 As stated supra, principles of natural justice necessarily had to be observed and adhered to by the respondents revenue before passing the impugned orders blocking the ECL of the appellants which would entail and visit them with serious civil consequences; so also, in the absence of extraordinary reasons or exceptional circumstances obtaining from the material available with them which would obviate or dispense with the requirement of pre-decisional hearing, it was also incumbent upon the*

respondents-revenue to provide/grant a pre-decisional hearing to the appellants before invoking Rule 86A and blocking the ECL of the appellants by passing the impugned orders which are vitiated and failure to appreciate this by the learned Single Judge has resulted in erroneous conclusion.

8.12 It is also significant to note that in the event the respondents-revenue had not provided/granted a pre-decisional hearing to the appellants before blocking its ECL, by invoking Rule 86A, the only consequence flowing from the same would be that there would be a possibility of the appellants taking steps to utilizing/availing the ITC available in the ECL; the said process of the appellants utilizing/availing the ITC is not instantaneous/immediate unlike bank accounts, from which monies can be withdrawn, if the same are not attached and the said process culminating in the ITC being converted to actual benefit in favour of the appellants would consume time as explained by the Gujarat High Court in Samay Alloys' case supra; in other words, it was not physically possible for the appellants to immediately/forthwith encash/withdraw the ITC available in its ECL so as to warrant emergent/urgent blocking of the ECL without providing a pre-decisional hearing to the appellants, at any rate, upon the respondents-revenue issuing appropriate notices to the appellants providing pre-decisional hearing proposing to invoke Rule 86A, the respondents-revenue would be entitled to supervise/monitor the proceedings including the ECL of the appellants and if circumstances so warrant, respondents-revenue would be entitled to block the ECL even before completion of pre-decisional hearing was completed; viewed from this angle also, the impugned orders passed by the *respondents-revenue blocking the ECL of the appellants without providing/granting pre-decisional hearing and confirmed by the learned Single Judge deserve to be set aside.*

8.13 In view of the aforesaid discussion, we are of the considered opinion that the learned Single Judge clearly fell in error in coming to the conclusion that a pre-decisional hearing was not required to have been provided/granted to the appellants by the respondents-revenue prior to passing the impugned orders blocking the ECL of the appellants and consequently, the said findings recorded by the learned Single Judge deserve to be set aside.

Point No.1 is accordingly answered in favour of the Appellant and against the respondents-revenue by holding that respondents-revenue committed a grave and serious error/illegality/infirmity in not providing/granting a pre-decisional hearing to the Appellant before passing the impugned order blocking its Electronic Credit Ledger under Rule 86A of the CGST Rules and consequently, the impugned orders deserve to be set aside."

8. Learned advocate for the petitioner further submits that the order dated 15.6.2026 blocking Rs. 4,43,53,116/- under Rule 86A for the Financial Year 2021-22 to 2023-2024 for tax period 01.02.2026 to 17.06.2026 is arbitrary, without reasons to believe. Without affording an opportunity of personal hearing to refute the allegations in respect of holding the purchases to be ingenuine and the suppliers to be non-existent at the relevant time, resulting to retrospective cancellations ip so facto cannot affect the rights of the bona fide purchasers by blocking the Electronic Credit Ledger of the petitioner, such action of the respondents is not sustainable and is liable to be set aside in light of K-9 Enterprises (supra).

9. The State respondents strenuously argued by raising an objection as to the maintainability of the Writ Petition and submits that it is premature in nature, for issues involved herein, have not attained finality. Further submitted that, by issuing a Notice under Section 70 of the WBGST Act 2017 (corresponding to Section 56(18) of the CGST Act) dated 22.06.2026 opportunity was already given to the petitioner for production of relevant documents for the period in question. However, petitioner remains unrepresented on the date of hearing fixed by the authorities.

10. Learned advocate for the State respondent submits that there is no arbitrariness or illegality in passing the order dated 15th June, 2026 for blocking the Electronic Credit Ledger and the same has been initiated in consonance with the Rule 86A of the CGST/WBGST Rules, 2017.

11. Since GST authorities have reasons to believe that suppliers of petitioners are non-existent and credit claimed without receipt of goods / services of those suppliers whose registrations have cancelled, to protect the revenue, the GST authorities have blocked the Electronic Credit Ledger of the petitioner.

12. After hearing the rival contentions of the parties and upon perusing materials on records, this Court finds that there is no infirmity in the order passed for blocking Electronic Credit Ledger of the petitioner, prima facie. Rule 86A of the GST Rules, 2017 empowers the Commissioner to block Electronic Credit Ledger upon reasons to believe that credit fraudulent availed or ineligible. Records prima facie shows reasons to believe that the supplier are found to be non-existent at declared premises whose registration have already been cancelled.

13. However, to balance the equities and for ends of justice, the petitioner can be given further opportunity of personal hearing to substantiate its claim on the basis of documents for Financial Years 2021-22 to 2023-24 being tax period from 01.02.2026 to 17.06.2026. Principles of audi alteram partem and the principles observed in the judgment of K-9 Enterprises (supra) requires a post decisional hearing.

14. This Court directs the petitioner to file a comprehensive and detailed representation for the Financial Year 2021-22 to 2023-24 being the tax period 01.02.2026 to 17.06.2026 by producing all relevant documents in respect of verification of the suppliers mentioned in the Notice issued under Section 56(18) of the CGST 2017 dated 22.06.2026. Liberty is also granted to the petitioner to adduce other related GST documents to demonstrate its bonafide for unblocking ITC amount of Rs., 4,43,53,116/- (CGST Rs. 2,21,76,558/- and SGST Rs. 2,21,76,558/- within a period of two weeks from date before the respondent No. 2.

15. Thereafter the respondent No. 2 after receipt of the reply from the petitioner shall consider and dispose of the representation by passing a reasoned and speaking order in accordance with law within a period of three weeks from date upon affording opportunity of personal hearing to the petitioner. Such decision shall be communicated by the respondent No. 2 within a week thereafter.

16. However, it is made clear that the petitioner shall not pray for any unnecessary adjournments. The respondent No. 2 shall take independent decision without being influenced by the observations made in this order.

17. The respondent No. 2 is directed to complete the entire exercise peremptorily on or before 15th October 2026.

18. With the above observations and directions the Writ Petition is disposed of without going into the merits of the case.

(Smita Das De, J.)