



JUDGEMENT

The amount of debt to be disallowed from the Electronic Credit Ledger (ECL) must not surpass the amount of the Input tax credit (ITC), which is regarded to have been taken by taxpayers wrongly.

Issued By:	Delhi High Court
In Case Of:	Best Crop Science PVT. Ltd.
Order No:	W.P.(C) 10980/2024 and CM Nos.45297/2024 and 45298/2024
Order Date:	24 th September 2024

FACTS & OBSERVATIONS

- The applicant challenged the Commissioner's orders under Rule 86A, CGST Rules 2017, which restricted Input Tax Credit (ITC) beyond the available credits in the Electronic Credit Ledger (ECL).
- The applicant argued that these orders created an artificial negative balance in the ECL, preventing the use of ITC to pay dues.
- The Revenue Department countered that the Commissioner can block ITC if there's reason to believe it was wrongly claimed, even exceeding the current ECL balance.
- The key issue was whether Rule 86A allows blocking ITC in excess of the available balance for revenue protection.

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- The Delhi High Court clarified that Rule 86A can restrict ITC only up to the amount available in the ECL, ensuring it doesn't exceed the claimed credit.
- ITC was recognized as a legal right of the taxpayer, and its blocking under Rule 86A impacts working capital.
- The Court emphasized that Rule 86A is a temporary safeguard for revenue protection, not a tax recovery mechanism.
- The Court quashed the orders blocking ITC beyond the available balance in the ECL, ruling the restriction cannot surpass the wrongly claimed ITC amount.

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