



JUDGEMENT

ITC Cannot Be Denied Merely Because Supplier's GST Registration Was Later Cancelled; Compliance at Time of Supply is Sufficient

Issued By:	Allahabad High Court
In Case Of:	M/S Singhal Iron Traders
Order No:	WRIT Tax No. - 1357 of 2022
Order Date:	4th Nov 2025

FACTS & OBSERVATIONS

- The petitioner, M/s Singhal Iron Traders, engaged in the business of trading iron scrap, purchased goods in August 2018 from M/s Arvind Metal Suppliers, Nunhai, Agra - a GST-registered supplier at that time. **The purchases were supported by valid tax invoices and e-way bills**, and payments were made through regular banking channels.
- The supplier had duly filed GSTR-1 and GSTR-3B returns for the corresponding tax period, establishing that the **outward supplies were reported and tax was discharged to the government**.
- Subsequently, the department noted that the supplier's GST registration had been cancelled w.e.f. 31.01.2019 and **initiated proceedings under Section 74 of the CGST/UPGST Act, 2017 against the petitioner, alleging purchases from a non-existent supplier**.
- Despite furnishing comprehensive documentation - including invoices, e-way bills, proof of payment, and copies of returns - the **adjudicating authority rejected the explanation and directed reversal of ITC along with penalty**, solely on the basis of the supplier's later registration cancellation.

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- The Allahabad High Court observed that the **supplier was a registered person under GST during the relevant transaction period**, and subsequent cancellation of registration could not retrospectively invalidate genuine transactions carried out while registration was active.
- The Court held that the **petitioner had fulfilled all substantive conditions of Section 16(2) of the CGST Act** - possessing valid tax invoices, receipt of goods, payment through banking channels, and verification through e-way bills.
- It was also noted that the department had not alleged any fraud, misrepresentation, or connivance on the part of the petitioner, and **no factual verification was made to establish that the supplier was non-existent at the time of transaction**.
- Concluding that the proceedings under Section 74 were unwarranted, the **Court quashed the impugned orders and ruled that denial of ITC merely on account of post-facto registration cancellation was legally unsustainable**.

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