



# Gujarat High Court Maruti Enterprise



***Maruti Enterprise vs Union of India***  
***Writ Petition No. TS-312-HC(GUJ)-2026-GST***

**Dated: 01<sup>st</sup> May 2026**

**Facts of the Case:**

- The petitioners (including maruti enterprise) challenged the constitutional validity of Section 16(2)(c) of the CGST Act, which provides that ITC can be availed only if the supplier has actually paid tax to the Government.
- The petitioners contended that they had fulfilled all prescribed conditions such as possession of valid tax invoices, receipt of goods/services, and reflection of the transactions in GSTR-2A/2B.
- However, ITC was denied solely due to the supplier's failure to deposit tax, an aspect beyond the control of the recipient.



- They argued that this provision is arbitrary and violative of Articles 14, 19(1)(g), 265, and 300A of the Constitution, leads to double taxation, imposes an impossible condition on the recipient, and provides no mechanism to verify whether the supplier has actually paid the tax.

### **High Court Observations:**

- The Gujarat High Court upheld the constitutional validity of Section 16(2)(c) and held that ITC is not a vested right but a statutory concession subject to strict conditions.
- The Court observed that the condition requiring actual payment of tax by the supplier is intrinsic to the GST framework, which is designed as a self-policing system linked to actual tax flow.



- Allowing ITC without such payment would disrupt the destination-based taxation mechanism and adversely affect inter-state revenue settlement.
- It further noted that recipient is entitled to re-avail ITC once the supplier pays the tax in terms of Section 41 and Rule 37A, thereby making the denial temporary and not permanent.
- The Court refused to read down the provision for bona fide purchasers, holding that hardship or practical difficulty cannot be a ground to invalidate a fiscal statute.
- It also distinguished earlier decisions of the Delhi High Court and Tripura High Court on the basis that the GST regime is materially different from the earlier VAT framework.



## Our Comments:

- This judgment marks a significant shift towards strict compliance under GST by reinforcing that ITC is conditional upon supplier compliance and not merely on documentation.
- The ruling also clarifies that reflection of ITC in GSTR-2B does not guarantee its eligibility, thereby weakening the reliance on system-generated statements.
- Thus, all the tax-payers need to ensure that tax pertaining to the purchase transaction has been actually deposited to the treasury of the government by the supplier.

# THANK YOU

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