





MANOJ MISRA AND NONGMEIKAPAM KOTISWAR SINGH , JJ. COMMISSIONER TRADE AND TAX DELHI V/s SHANTI KIRAN INDIA (P) LTD (Supreme Court of the India)

(Civil Appeal No(s). 2042-2047 of 2015 with C.A. No. 9902 of 2017, decided on 9-10-2025)

Facts of the Case:

- The respondent, Shanti Kiran India (P) Ltd., was a registered purchaser under the Delhi Value Added Tax Act, 2004 (DVAT Act).
- It had purchased goods from registered selling dealers, paid the due VAT as per tax invoices, and claimed Input Tax Credit (ITC).
- Subsequently, the registration of those selling dealers was cancelled, and they failed to deposit the tax collected from the purchaser with the Government.



- The Department denied ITC to the purchaser on the ground that tax was not deposited by the selling dealers.
- The Delhi High Court allowed the claim of ITC holding that the purchaser, being bona fide and having paid tax to a registered dealer, cannot be denied the benefit.
- The Department appealed before the Supreme Court.



Supreme Court Observations:

- It was undisputed that on the date of the transaction, the selling dealers were registered with the Department.
- The invoices and transactions were genuine and not doubted by the Department.
- The High Court's interpretation in On Quest Merchandising India Pvt. Ltd. v. Govt. of NCT of Delhi (2018) was relied upon, which held that Section 9(2)(g) of the DVAT Act must be "read down" to avoid violation of Article 14 of the Constitution.
- As per that interpretation, bona fide purchasing dealers who transact with registered sellers and possess valid tax invoices cannot be denied ITC merely because the seller failed to deposit tax.



- The Department's remedy lies against the defaulting selling dealer, not against the purchasing dealer.
- The Supreme Court found no reason to interfere with the High Court's direction allowing ITC benefit after verification.

Held:

- ITC benefit cannot be denied where the seller's registration was cancelled subsequent to the transaction, provided the purchaser acted in good faith and invoices are valid.
- Appeals dismissed — in favour of the assessee.



Our Comments:

- The judgment reiterates the principle that ITC cannot be denied to bona fide purchasers due to default by the supplier, provided the transaction was genuine and tax was paid to a registered seller.
- The ruling aligns with the Delhi High Court's earlier view in Arise India Ltd. (2022) 60 G.S.T.L. 215 (S.C.), reinforcing buyer protection against vendor defaults.
- This strengthens the legal position that tax authorities must pursue the defaulting seller instead of burdening the purchaser for recovery.
- The reasoning is consistent with the constitutional protection of equality under Article 14, preventing unjust denial of legitimate credits.



THANK YOU



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