

IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on :07.04.2026

Pronounced on :20.04.2026

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**THE HONOURABLE DR. JUSTICE G. JAYACHANDRAN
AND
THE HONOURABLE MR.JUSTICE SHAMIM AHMED**

Writ Appeal No.553 of 2026

Tvl.Sri Balajee Udyog

Represented by its Proprietor Sanjay Mittal

No.15, Mooker Nallamuthu Street,

Parrys, Chennai, Tamil Nadu 600 001.

..Appellant/Petitioner

/versus/

1.The Assistant Commissioner(ST)

Broadway Assessment Circle,

Integrated Building Commercial Taxes Department,

No.32, Elephant Gate Bridge Road,

Chennai 600 003.

2.The Deputy Commissioner (ST)(FAC)

GST Appeal, Chennai-I,

C.T.Main Building, 2nd Floor,

Greens Road, Chennai 600 006.

..Respondents/Respondents

Writ Appeal has been filed under Clause 15 of Letters Patent against the Order dated 21.01.2026 passed by the Hon'ble Mr.Justice C.Saravanan in W.P.No.7643 of 2025 on the file of this Hon'ble Court.

For Appellant :Mr.G.Natarajan for
Mr.A.M.Venkata Krishnan

For Respondents :M/s Amirta Poonkodi Dinakaran, GA



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JUDGMENT

(Judgment was delivered by Dr.G.JAYACHANDRAN,J.)

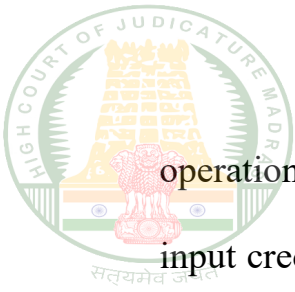
The Appellant herein is a Proprietorship concern got registered under GST on 05/04/2022. No:15, Mookar Nallamuthu Street, Chennai 600001 shown as its business premises. During the inspection of the premises by the Assistant Commissioner (CT), it was found that the premises is not sufficient for carrying out the business of this nature, to claim a huge sum as Input Tax Credit on purchase. Hence, show cause notice dated 14/11/2024 was issued to the appellant to furnish details about the actual movement of goods to match the claim of ITC and also to appear in person. The appellant gave detail reply as well as participated in the personal hearing. The Assistant Commissioner (CT), not being satisfied with the explanation and the records furnished by the appellant, ordered cancellation of GST registration *vide* order dated 29/11/2024. As against the order of the Assistant Commissioner (CT), the appellant preferred appeal before the Deputy Commissioner (CT). The Appellate Authority confirmed the order of cancellation and dismissed the appeal. As against the order of the Appellate Authority, Writ Petition filed before this Court invoking Article 226 of the Constitution of India. The Learned Single Judge dismissing the writ petition filed seeking Writ of Certiorarified Mandamus to quash the order of the Deputy Commissioner (ST)(FAC) dated 27/01/2025



which has confirmed the order of the Assistant Commissioner (CT) dated 29/11/2024 cancelling the GST registration of the appellant. Hence, the present

intra-court appeal.

2. The Learned Counsel for the appellant submitted that, one of the reasons cited for cancelling the registration is that the appellant M/s Shri Balajee Udyog sharing the same business premises with M/s Gaurav Metal to camouflage the transaction. When there is no legal impediment for traders to share the same premises for their business, the finding, based on speculation, is not sustainable in law. Without overlapping business activity or financial nexus, mere co-location of premises is not sufficient to satisfy the statutory requirement for cancellation of GST registration under Section 29(2) of the Goods and Service Tax Act, 2017 (in short “GST Act”) or Rule 21 of the Central Goods and Services Tax Rules, 2017 (in short “CGST Rules”). M/s Gaurav Metal was a partnership firm registered under Pre-GST regime. It is a distinct entity. The said M/s Gaurav Metal between April 2022 and August 2022, sold out about 94% of its stock and the remaining stock kept separately. Later, the partnership running M/s Gaurav Metal got dissolved and its GST surrendered. Whereas, the appellant M/s Shri Balajee Udyog, a proprietorship concern got registered under GST on 05/04/2022, but commenced its business only from September, 2022. In the absence of evidence to prove parallel or overlapping



operation or intermingling of stock or common account or wrongful passing of input credit, mechanical blocking of ITC without adjudication under Section 73 or 74 of the Act is arbitrary exercise of power and violative of Article 19(1)(g) of the Constitution of India.

3. Ms.Amirta Poonkodi Dinakaran, learned Government Advocate representing the State submitted that, for the relevant period, the appellant had claimed and availed ITC of about Rs.18,62,11,749/-. To prove such a huge transaction, there must be sufficient proof for transport of goods. The assessee claims that the goods were usually transported through TRICYCLE/TMYCYCLE. Mere production of e-way bill is not a proof for real physical transportation of the goods. To prove the physical movement of goods, payment of freight charges, loading and unloading charges, lorry receipts, way bills are necessary. The appellant is not able to produce any of these documents to substantiate the actual movement of goods shown in their transaction for claiming ITC. Having failed to establish the physical movement of goods as stipulated under Sub-Section 2 (b) of Section 16 of the Act, the action to cancel the GST is appropriate and necessary to prevent further misuse of ITC. The Learned Counsel also submitted that, consequential action for fabricating sales document has been initiated against the appellant as well the suppliers. The appellant by invoking writ jurisdiction attempted to canvass question of fact



which has been held against him concurrently by the second and first respondents. The appellant having availed ITC illegitimately on the strength of invoices alleged issued by M/s Shree Padmavathi Metal and Alloys, cannot be permitted to continue the illegality. The Learned Single Judge has rightly dismissed the petition, after recording the reasons. Hence, the appeal ought to be dismissed.

4. The order of the Appellate Authority namely the first respondent speaks volume about the violation committed by the appellant in availing Input Tax Credit. By producing the print-outs of e-way bills, the appellant try to make out a case of genuine transactions, without any proof of movement of goods. Pursuant to the All-India drive against fake registration cases, the illegitimate act of the appellant as well as the fake suppliers have come to light and from the records produced by the Learned Government Advocate, we find that, action initiated against all those suppliers under Section 86A blocking the ITC as well as action under Section 74 of the GST Act contemplated. Therefore, it is incorrect to say that no action has been taken against the suppliers. Equally, it is also incorrect to claim that the State has no power to cancel the registration in case of these nature. When there is material available to show that the benefit of ITC claimed is based on fabricated documents and fake invoices, cancellation of registration is the best action to prevent further fake claims. The Constitution



guarantees only genuine and honest trade and not illegal and fake trade intended to cheat the revenue of the State.

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5. Section 29 of the GST Act deals with cancellation/suspension of registration. The procedures to be followed before cancellation is dealt under the GST Rules, 2017. For contravention of the provisions of Act or Rules framed thereunder, the proper office has cancelled the registration after giving opportunity of hearing. When adequate opportunity given to the appellant to produce evidence for actual movement of goods and the appellant having failed to produce document to that effect, for the contravention of the provision of GST Act, in exercise of power under Section 29(2) (a), the GST registration is cancelled. The Learned Single Judge after examining the records and on considering the facts of the case had rightly dismissed the writ petition. We affirm the order passed in W.P.No:7643 of 2025 dated 21.01.2026.

6. As a result, ***this Writ Appeal stands dismissed. No costs.***

(G.JAYACHANDRAN, J.)

(SHAMIM AHMED, J.)

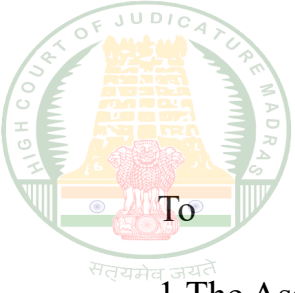
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Neutral Citation:yes

Index:yes/no

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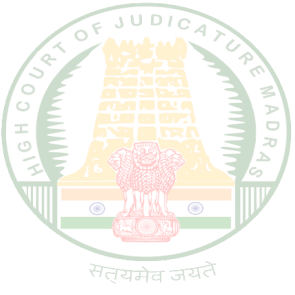
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