

Bhandari Scrap Traders v. Union of India & Ors.

Case number: SLP(C) No. 23931/2026 with SLP(C) Nos. 24088/2026 and 24103/2026.

Citation: No neutral or reported citation is printed in the official source PDF.

Decision date: 24 July 2026

Section 16(2)(c) challenge and purchasing-dealer ITC when the supplier has not paid the tax

Court: Supreme Court of India

Bench: Hon'ble Mr. Justice Sanjay Kumar and Hon'ble Mr. Justice Sanjeev Sachdeva

Decision stage: Final reasoned dismissal of three special leave petitions; no grant of leave is recorded.

01 Facts of case and issues

Bhandari Scrap Traders challenged the Gujarat High Court's judgment dated 1 May 2026 in SCA No. 749/2025; the Supreme Court heard two connected SLPs with it. The challenge concerned section 16(2)(c) of the CGST Act and purchasing-dealer input tax credit where the supplier-dealer failed to pay the requisite tax.

The Court was told that an SLP concerning the Tripura High Court's decision in Sahil Enterprises had been entertained. It nevertheless examined the distinct reasoning in the Gujarat judgment under challenge.

Pinpoint: Official PDF p. 1, case metadata and opening paragraph continuing on p. 2; p. 2, statutory issue.

02 Discussion by Hon'ble Court

The Hon'ble Court relied on the Gujarat High Court's analysis of differences between the Delhi Value Added Tax Act, 2004 and the CGST Act, together with the GST ITC scheme. It concluded that the purchasing dealer under CGST could not be placed on the same footing as a purported bona fide purchasing dealer under Delhi VAT when the supplier failed to pay tax.

The Court noted the High Court's discussion of section 41 and sections 73 and 74 in connection with re-availing reversed ITC after the supplier discharges the tax liability. It found the Gujarat High Court justified in concluding that no grounds had been made out to declare section 16(2)(c) unconstitutional or to read it down. It expressly agreed with the Gujarat High Court and affirmed the impugned judgment.

Pinpoint: Official PDF pp. 2–3, complete substantive reasoning. References there to paragraphs 42 onwards and paragraph 56 are to the Gujarat High Court judgment, not Supreme Court paragraph numbers.

03 Judicial decision and operative relief

The Court dismissed SLP(C) Nos. 23931/2026, 24088/2026 and 24103/2026 and disposed of pending applications. Its stated reasons rejected the constitutional/read-down challenge to section 16(2)(c) before it and expressly affirmed the impugned judgment. No grant of leave is recorded.

Pinpoint: Official PDF p. 1, connected SLP identifiers; pp. 2–3, conclusion on section 16(2)(c), affirmation and dismissal.

04 In favour of

Revenue, on the constitutional and reading-down challenge to section 16(2)(c) presented in these SLPs.

The petitioners failed in this challenge. The order is a substantive reasoned refusal of special leave, rather than an interim direction or an unreasoned dismissal. It does not quantify a particular taxpayer's credit or determine every transaction-specific ITC dispute.

Pinpoint: Official PDF pp. 2–3, expressed reasoning and final disposal.

05 AKHB REVIEW POINT

AKHB analysis: A purchaser should not assume that Delhi VAT decisions on bona fide purchasers answer the CGST statutory condition. Assess the applicable CGST text, the supplier's tax-payment position, and the evidence and procedure relevant to the particular period and transaction.

The discussion of re-avilment makes supplier payment and the applicable reversal/re-avilment framework important. This note does not promise automatic restoration or omit other statutory conditions. Verify the governing version of the law and the case-specific records before advising.

When citing this decision, identify it as a reasoned SLP dismissal and cite the Supreme Court's expressed legal reasoning. Do not infer that every proposition in the High Court judgment was independently examined, or describe the matter as an appeal decided after leave. The reference to Sahil Enterprises records the position put before the Court on 24 July 2026; it does not resolve that separate litigation or certify its present status.

Pinpoint: Analysis based on official PDF pp. 1–3. Practical guidance and citation cautions are AKHB commentary.

Sources and limitations

Relevant provisions

Central Goods and Services Tax Act, 2017: sections 16(2)(c), 41, 73 and 74. Delhi Value Added Tax Act, 2004 is considered as the comparator regime.

Statutory note

This note reports the substantive legal reasoning actually expressed in the reasoned SLP dismissal. It does not claim an appellate merger, a general resolution of every ITC dispute, or independent approval of every High Court reason.

Treatment note

This note records the decision as delivered. Subsequent judicial treatment, legislative changes and compliance with the operative directions have not been independently certified.

Scope of source review

All 3 pages of the official record of proceedings reviewed, including the complete reasoned order. Supreme Court paragraphs are unnumbered; pinpoints use PDF pages.

Source notes

The Sahil Enterprises citation reproduced in the Supreme Court source belongs to the Tripura High Court decision, not to Bhandari. No reporter citation for Bhandari is assigned here.

Primary source

Source description: Official Supreme Court PDF containing the complete decision and case metadata.

Official source: [Open source document](#)

Source pages: 3

Outcome type: Reasoned SLP dismissal without leave

Disclosures and source rights

AI disclosure: Prepared with AI assistance from the complete official Supreme Court source identified in this note. No human legal review is claimed.

General disclaimer: For professional information only; not legal advice. Read the complete decision and applicable law, verify subsequent treatment and obtain case-specific professional advice before acting.

©AKHB & Associates. This copyright notice applies to the original AKHB research note, analysis and presentation. It does not assert ownership of the judicial orders, judgments, legislation, circulars or other third-party source material. Rights in those sources remain with their respective rights holders, as applicable.

Source checked: 12 October 2026