

Chaurasiya Zarda Bhandar vs State of U.P. & Others

Imposition of interest and penalty in assessment order without proposal in show cause notice under Section 75(7) of the GST Act.

Date of Order: November 19, 2025
Case Law No: GIB-AHC-LKO-2025-04
Source: GST INDIA Biz (www.gstindia.biz)

CASE DESCRIPTION / SUMMARY

The writ petition was allowed. The assessment and demand order dated 29.08.2024, as well as the consequential attachment order dated 11.09.2025, were quashed and set aside.

The Court held that the show cause notice for the financial year 2019-20 proposed recovery of tax amounting to Rs. 29,07,002/- and did not contain any proposal for imposition of interest or penalty.

However, the impugned order imposed interest and penalty under CGST and SGST totaling Rs. 55,71,191/-. The Court found that such imposition was contrary to [Section 75\(7\)](#), which provides that the amount of tax, interest and penalty demanded in the order shall not be in excess of the amount specified in the notice and no demand shall be confirmed on grounds other than those specified in the notice.

Since the show cause notice contained no reference to interest or penalty, the impugned order was held to be unsustainable and arbitrary.

The matter was remitted to the adjudicating authority to pass fresh orders in accordance with law.