R A and Co. vs The Additional Commissioner of Central Taxes

Show Cause Notice and adjudication – Clubbing of multiple financial years in a single show cause notice under Sections 73 and 74 of the CGST Act, 2017 – validity of composite assessment order

Date of Order: July 21, 2025
Case Law No: GIB-MHC-2025-10
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CASE DESCRIPTION / SUMMARY

Facts:
The petitioner challenged Order-in-Original No.102/2025 dated 04.02.2025 confirming tax demand of ₹30,13,02,903 along with interest and penalty under Section 74 of the CGST/TNGST Act. The department had issued a single show cause notice and passed a single assessment order covering six financial years from 2017-18 to 2022-23. The petitioner contended that bunching of show cause notices for multiple financial years is contrary to Sections 73 and 74 of the GST Act.

Court Decision:
The Court held that under Sections 73 and 74 of the CGST Act, issuance of show cause notice must be based on the "tax period", which is linked to the return filed by the assessee. If notice is issued based on annual returns, it can cover the relevant financial year but cannot extend beyond that financial year.

The Court observed that the limitation under Sections 73(10) and 74(10) is calculated separately for each financial year from the due date of filing annual return. Since each financial year constitutes a distinct tax period with separate limitation, clubbing multiple financial years in a single show cause notice and passing a composite assessment order is impermissible in law.

Accordingly, the Court held that issuance of a composite show cause notice and passing of a single order for multiple financial years amounts to jurisdictional overreach. The impugned order dated 04.02.2025 was quashed on the ground that clubbing of financial years is not permissible under the GST Act.

Cases Referred by Court:

· Titan Company Ltd. v. Joint Commissioner of GST & Central Excise, (2024) 15 Centax 118

(Madras High Court)

· State of Jammu and Kashmir and Others v. Caltex (India) Ltd., AIR 1966 SC 1350

· Tharayil Medicals (Division Bench, Kerala High Court)

· Deputy Commissioner of Intelligence v. Minimol Sabu, W.A. No.238 of 2025 (Kerala High Court)

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