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TAX JURISPRUDENCE

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EXECUTIVE SUMMARY OF JUDGEMENTS / ADVANCE RULINGS UNDER INDIRECT TAXES

We are pleased to draw your attention to following important decision which might be useful for you to take call on tax position.

Case & Citation	Issue Involved	Decision
Indirect Tax		
<u>R A and Co vs The Additional Commissioner of Central Taxes, South Commissionerate [TS-644-HC(MAD)-2025-GST]</u>	Whether issuance of a composite show cause notice and consolidated assessment order covering multiple financial years is permissible under GST law?	The Madras High Court held that clubbing multiple financial years into a single show cause notice or assessment order is not permissible under Sections 73 and 74 of the CGST Act. Each notice must be confined to a single financial year .

The brief analysis of above referred decision is given below:

Case: RA and Co vs The Additional Commissioner of Central Taxes, South Commissionerate [TS-644-HC(MAD)-2025-GST]

Facts in brief & Issue Involved

- ♦ R.A. and Co. (the petitioner) received a **single show-cause notice (SCN)** and a **consolidated assessment order** covering six financial years (2017-18 to 2022-23). The tax authorities confirmed a demand of **₹30.13 crore** along with interest and penalties.
- ♦ Being aggrieved by the said order, the petitioner challenged the legality of bunching SCNs and passing a composite order, arguing a violation of limitation provisions and statutory safeguards.
- ♦ The central issue before the Madras High Court was the legality of this practice of "bunching" SCNs and passing a composite order for multiple years, particularly whether it violates the statutory limitation provisions and other taxpayer safeguards under the GST Act.

Contentions of Petitioners

- ♦ The GST Act establishes a separate **limitation period** for each financial year, and bunching SCNs for multiple years **frustrates this scheme**. This forces the taxpayer to respond to all years at once, even though later years have more time available.
- ♦ This practice creates **procedural hardships**, including:
 - Inability to apply for **compounding of offenses** under Section 138 for a specific financial year.
 - Inability to avail of any **amnesty scheme** introduced for one or two specific years without settling the dues for all years covered in the consolidated notice.
 - Being prevented from contesting or settling the tax demand for a specific year independently.
 - Based on Sections 73 and 74, a separate notice or statement is required for each tax period.

Contentions of Respondents

- ♦ The respondent (tax authorities) argued that the GST Act **does not explicitly prohibit** issuing a single SCN for more than one financial year.
- ♦ The term "**any period**" in Sections 73 and 74 to allow for notices covering a block of years.
- ♦ Since the law defines "tax periods" to include both monthly and yearly periods, a consolidated SCN is permissible.

Observations & Decision of the Madras High Court

- ♦ **The term "any period" means only a monthly or yearly tax period** and cannot extend beyond one financial year.
- ♦ By referring to **Section 2(106)** (definition of "tax period") held that **SCN can only be issued based on a monthly return or an annual return, not for more than one financial year.**
- ♦ **Bundling SCNs causes undue hardship**, as taxpayers would be compelled to pay all demands to avail penalty waivers (Sec. 128) or when filing compounding applications (Sec. 138).
- ♦ Referred to its earlier judgment in *Titan Industries* to highlight that **rights of assesseees to contest issues period-wise under Sec. 73 would be diluted if multiple years were clubbed under Sec. 74.**
- ♦ Held that such notices **violate safeguards under Sec. 74(10) and Sec. 136.**
- ♦ Accordingly, the said **impugned order was quashed and set aside**, with the Court clarifying that **each SCN must be limited to a single financial year.**

NASA Comments

- ◆ This is a significant judgment that brings much-needed clarity on the procedural aspect of issuing show-cause notices under the GST regime. The judgement reinforces the principle of **fiscal discipline and procedural fairness**.
- ◆ It prevents the tax authorities from adopting a shortcut by bundling multiple years' tax issues into a single notice. This practice not only puts the taxpayer at a disadvantage in their defence but also undermines the statutory framework concerning **limitation periods** and **remedial measures** like penalty waivers and compounding of offenses.
- ◆ The judgement is a crucial reminder that **jurisdictional overreach** by tax authorities will be scrutinized and struck down by the judiciary to protect the rights of taxpayers.

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