

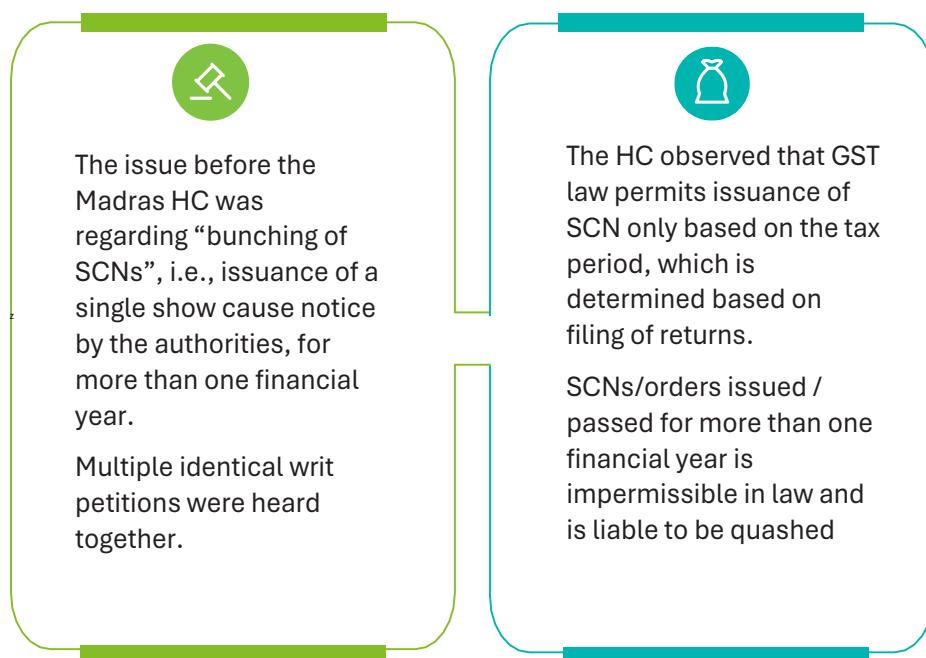


## Tax alert: Clubbing of show cause notices for more than one financial year held impermissible in law

**25 July 2025**

The Madras High Court (HC) has held that the GST law permits only for issuance of show cause notice (SCN) based on the tax period which may be based on monthly return or annual return. It has been observed that SCN cannot be clubbed and issued for more than one financial year since the same is impermissible in law.

### In a nutshell



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## Background

- The issue before the Madras HC was regarding “bunching of SCNs”, i.e., issuance of a single SCN by the authorities, for more than one financial year, whether permissible under GST law<sup>1</sup>.
- Multiple identical writ petitions were heard together.

## Observations of HC

- The provisions of Sections 73(1)/74(1) of Central Goods and Services Tax Act, 2017 (CGST Act) deals with the aspect of issuance of SCN in a particular situation, whereas, in Section 73(2)/74(2) of CGST Act, it has been stated that such notice needs to be issued at least three/six months prior to the time limit fixed for issuance of order.
- As per Section 73(3)/74(3) of CGST Act, in case of any similar issues for multiple years/tax period, the respondent shall issue notice for the first year / tax period and then subsequent notices shall be issued by way of independent statements for every tax period.
- The limitation period for issuance of order i.e., 3 years/5 years from the last date for filing the annual returns for the relevant financial year would be separately applicable for every financial year.
- "Tax period" means the period, for which, the return is required to be furnished. In GST law, an assessee is required to file monthly return as well as annual return. Thus, either based on monthly return or annual return, notice can be issued, but not more than the relevant financial year.
- As per section 128 of CGST Act, the Government may introduce any scheme by way of notification, to waive, in part or full, any penalty. In such case, if a SCN clubbing multiple years was issued, the petitioners will be forced to pay the tax amount for all the financial years included for availing the scheme. This will create hardship to the petitioners.
- A similar hardship will be faced by the petitioners, when they intend to file an application for compounding the offences under Section 138 of the CGST Act for any particular or couple of years.
- Further, though the petitioners have very good case to contest for any particular tax period, they will not be able to do so since orders were passed by clubbing more than one financial year. Hence, the rights of the petitioners, to file an appeal against the assessment order, will get prejudicially affected.
- When a notice was issued and order was passed under Section 74 of the CGST Act by clubbing more than one financial year, the petitioners' right to contest the matter pertaining to any particular tax period under Section 73 of the CGST Act will get affected.
- Reference was made to the case of **Titan Company Ltd., vs. Joint Commissioner of GST & Central Excise reported in (2024) 15 Centax 118 (Mad.) and M/s. Tharayil Medicals v. Deputy Commissioner 2025-VIL-356-KER**, wherein it has been held that bunching of notices is impermissible.

## Comments

This is a welcome judgement wherein the Hon'ble Court has evaluated the provisions under section 73 and section 74 of the GST law to ascertain validity of issuance of notices by clubbing more than one financial year. It has been made clear that no SCN / order can be clubbed and issued for more than one financial year since the same is impermissible in law. This provides opportunity to taxpayers to evaluate cases where single notice has been issued for multiple periods.

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<sup>1</sup> SMT R Ashaaraajaa, Partner of M/s. JRD Realtorss v. Senior Intelligence Officer, DGII 2025-VIL-764-MAD

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