

HC: SCN Cannot Club Multiple Financial Years under Section 73

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REFER THE DECISION OF THE HON'BLE MADRAS HIGH COURT IN THE CASE OF

Ms R A and Co. v. Additional Commissioner of Central Taxes South Commissionerate, Chennai - [2025] 176 taxmann.com 800 (Madras)

FACTS:

The petitioner, Ms R A and Co., was issued a show cause notice (SCN) under Section 73 of the Central Goods and Services Tax Act, 2017.

The SCN raised tax demands across multiple financial years, without issuing separate notices for each year.

The petitioner contended that:

- **The proceedings under Section 73 are not related to fraud, misstatement, or suppression, and hence, the regular limitation period applies.**
- **Each financial year has a distinct tax return cycle and legal treatment, with its own limitation period.**

Clubbing multiple years in one notice is procedurally invalid and prejudicial to the assessee's right to defend.

Hon'ble High Court Judgement:

The Madras High Court held that:

- **A show cause notice and assessment must be confined to one financial year. Clubbing multiple financial years in a single SCN is impermissible, as each year:**
 - **Has a separate statutory limitation period, and**
 - **May require distinct procedural and legal treatment.**

The Court found the impugned SCN to be invalid and quashed it, while granting the department the liberty to issue fresh SCNs year-wise, strictly in accordance with law.