

HC: Pre-SCN consultation is not an empty formality – it must be meaningful.

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

Vridhi Enterprises v. State Tax Authorities; (2025) 170 taxmann.com 449 (Allahabad High Court)

Vridhi Enterprises was penalized under GST for transporting goods in transit. The penalty order was justified by the department on the ground that the assessee's GST registration was cancelled.

The assessee challenged the penalty, contending that there was no evidence of initiation or conclusion of registration cancellation proceedings against it. Without such proof, the penalty could not stand.

The Allahabad High Court agreed with the assessee and observed:

- **Penalty proceedings must be supported by proper evidence and legal foundation.**
- **If cancellation of registration is cited as the basis for penalty, there must be material on record showing actual cancellation proceedings.**
- **In the absence of such evidence, imposition of penalty is illegal and unsustainable.**

Accordingly, the Court set aside the penalty imposed on goods in transit, holding that the department had acted without adequate justification.

Key Takeaway

- **Penalty orders must be supported by evidence.**
- **Goods in transit cannot be penalized merely on assumptions or unsupported grounds.**
- **Absence of proof of registration cancellation = penalty vitiated.**