

HC: Authorities cannot spring surprises – orders must match SCN grounds.

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

Udai Associates v. State Tax Authorities; (2025) 170 Taxmann 569 (Allahabad High Court)

Udai Associates faced cancellation of its GST registration. **The department issued a show cause notice (SCN) citing certain grounds. However, when the cancellation order was passed, it was based on grounds entirely different from those mentioned in the SCN.**

The assessee challenged the order before the Allahabad High Court, contending that it was deprived of a proper opportunity to defend itself since the actual grounds of cancellation were never communicated.

The Court agreed with the assessee and held:

- **An SCN is the foundation of any adverse action.**
- **Authorities cannot travel beyond the SCN and pass orders on new or unmentioned grounds.**
- **Doing so violates the principles of natural justice as the assessee is denied an effective opportunity of defense.**

Accordingly, the Allahabad High Court quashed the cancellation order, holding it to be unsustainable in law.

Key Takeaway

- **SCN defines the scope of proceedings.**
- **Orders beyond SCN grounds are invalid.**
- **Cancellation of GST registration must be strictly based on grounds specified in the SCN.**