

HC: Denial of cross-examination of witnesses amounts to violation of natural justice; order quashed

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

X L Interiors v. Deputy Commissioner (Intelligence), SGST Department, Citation: [2025] 178 taxmann.com 108 (Kerala)

Following an inspection at the assessee's premises, a show cause notice was issued alleging suppression of turnover. The Revenue relied upon statements of certain witnesses to treat advances received by the assessee as turnover. The assessee sought cross-examination of these witnesses, including one who had actual business dealings with it. However, the request was denied, and the impugned order was passed without granting cross-examination.

The Kerala High Court held that denial of cross-examination in such circumstances amounted to a serious violation of principles of natural justice, since the statements of witnesses formed the very basis of the demand. The Court noted that effective rebuttal was impossible without cross-examination, thereby causing prejudice to the assessee.

Outcome:

The impugned order was quashed, and the matter was remanded back with a direction to grant cross-examination and re-hear the case before passing fresh orders.

// भगवान महावीर का संदेश //

"जीवो और जीने दो" — यही हो हमारा संकल्प।

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