

TAXLAWSCOPE

- Adv. B. Maragatha Nithya

The previous week saw a fascinating bouquet of decisions from the High Courts of Bombay and Calcutta highlighting two persistent themes in indirect tax adjudication: the importance of procedural fairness and the careful balance courts strike in interpreting substantive tax obligations.

Procedural cross roads

A substantial number of GST rulings this week turned on procedural infirmities particularly the service of show cause notices (SCNs). In *Naina Gupta*-[2025] 175 taxmann.com 925 (Calcutta), the Calcutta High Court took a nuanced stance that mere early scheduling of a hearing before a reply is not fatal if the taxpayer doesn't avail of the opportunity. Conversely, the Bombay High Court adopted a stricter view in *Manek Steel LLP* - 2025-TIOL-1056-HC-MUM-GST invalidating an SCN that just echoed statutory language under Section 74 of the CGST Act, 2017 without any factual basis, reiterating that vagueness cannot be the foundation of quasi-judicial action.

Conflict between Departmental inertia and taxpayer's statutory rights

In a notable ruling *Synthroma Laboratories v. State of West Bengal*-2025-TIOL-1054-HC-KOL-GST, the Calcutta High Court took a strong stand against administrative inertia by directing tax authorities to decide on a pre-show cause notice within two working days and conditionally permitted the petitioner to avail the benefit of Section 128A of the CGST Act, provided they applied within 48 hours from the date of issuance of notice.



Although the judgment expressly disclaimed itself as a precedent, the ruling is significant as it articulates an institutional expectation of decisiveness from tax authorities even in the pre-adjudication phase especially where the taxpayer has already responded.

When Section 128A was introduced on 01.11.2024, it included references to SCNs under Section 73. This raised doubts, since the extended deadlines for FYs 2017–18 to 2019–20 (i.e., 30.09.2023, 31.12.2023, and 30.03.2024, respectively) had already lapsed.

But the present Calcutta High Court's ruling gives that provision a functional purpose, at least in this case.

Fiscal sensibility

In a significant ruling that underscores the importance of substantive compliance over procedural rigidity, the Calcutta High Court, in *Raiganj Jeevan Rekha Diagnostic Pvt. Ltd. v. Union of India* -2025 (7) TMI 784, dealt with an intra-court appeal filed against an interim order requiring a 10% pre-deposit for availing stay on recovery of a demand arising from an alleged wrongful availment of input tax credit (ITC).

The Bench took note of non-demand of interest by the Adjudicating Authority indicating revenue neutrality. It concluded that insisting on pre-deposit in such circumstances would defeat the purpose of revenue safeguards, as there was no surviving demand and therefore allowed the writ petition as well as the intra court appeal by way of remand.

Conclusion

The decisions examined this week point to a clear judicial undercurrent 'tax enforcement must operate within the bounds of procedural propriety and economic rationality'. Courts are increasingly vigilant against administrative inertia, vague show cause notices, and disproportionate compliance burdens, especially where no real revenue loss exists. As GST matures to 8 years, so too must its administration.

