

A2Z Taxcorp LLP

Supreme Court to examine validity of consolidated GST show cause notices spanning multiple financial years



The Hon'ble Supreme Court in ***Joint Commissioner (Intelligence and Enforcement) & Anr. v. M/s Lakshmi Mobile Accessories [SLP (Civil) Diary No. 60097 of 2025 dated January 28, 2026]*** issued notice in the Special Leave Petition filed by the Revenue, thereby agreeing to examine the vexed question as to “whether a consolidated show cause notice (“SCN”) and adjudication order covering multiple financial years can be issued under Section 74 of the Central Goods and Services Tax Act, 2017 (“the CGST Act”)”. The challenge before the Hon'ble Supreme Court emanates from the judgment of the Hon'ble Kerala High Court (Division Bench) in ***Joint Commissioner (Intelligence and Enforcement) v. M/s Lakshmi Mobile Accessories [W.A. No. 258 of 2025 dated February 05, 2025]***, wherein it was held that issuance of a consolidated SCN covering multiple financial years is impermissible under the scheme of Section 74 of the CGST

A2Z Taxcorp LLP

Act and that the Department is required to pass separate adjudication orders for each financial year.

Facts:

- M/s Lakshmi Mobile Accessories (“**the Respondent**”/ “**the Assessee**”) was served a consolidated SCN under Section 74 of the CGST Act demanding differential tax, interest and penalty on the allegation of suppression of turnover for the financial years 2017-18 to 2023-24 (i.e. six financial years clubbed in a single notice).
- The Assessee challenged the consolidated SCN before the Hon’ble Kerala High Court contending that clubbing of six financial years in a solitary SCN curtailed its statutory right of defence, as the limitation available for adjudication would stand effectively circumscribed by the limitation period applicable to the earliest financial year (i.e. FY 2017-18) which was nearing expiry.
- The learned Single Judge of the Hon’ble Kerala High Court accepted the Assessee’s contention and directed the Department to pass separate adjudication orders for each financial year, while permitting passing of order for FY 2017-18 within its prescribed limitation under Section 74(10) of the CGST Act.
- Aggrieved, the Revenue preferred a writ appeal before the Division Bench contending that the CGST Act does not envisage issuance of separate notices and orders for each financial year.
- The Hon’ble Division Bench of the Kerala High Court dismissed the Revenue’s writ appeal and affirmed the directions of the learned Single Judge.
- Aggrieved by the said dismissal, the Revenue preferred the present Special Leave Petition before the Hon’ble Supreme Court.

A2Z Taxcorp LLP

Issue:

Whether issuance of a consolidated show cause notice and adjudication order spanning multiple financial years is permissible under Section 74 of the CGST Act?

Held:

The Hon'ble Supreme Court in ***SLP (Civil) Diary No. 60097 of 2025*** held as under:

- **Issued notice** in the Special Leave Petition filed by the Revenue, thereby agreeing to examine the permissibility of consolidated SCN/orders covering multiple financial years under Section 74 of the CGST Act.
- **Directed** the Petitioner-Revenue to file requisite spare copy in respect of the sole respondent by February 04, 2026.
- **Likely to be listed** after summer vacation.

Background – Kerala High Court (Division Bench) in *Joint Commissioner (Intelligence and Enforcement) v. M/s Lakshmi Mobile Accessories [W.A. No. 258 of 2025 dated February 05, 2025]* held as under:

- **Observed that**, there is no mandate under Section 74 of the CGST Act for issuance of a consolidated SCN covering various financial/assessment years. The provisions of Section 74(1) only require the proper officer to arrive at a subjective satisfaction regarding tax evasion factors qua a particular financial year.
- **Noted that**, the scheme of adjudication under the CGST Act is distinct from Section 28 of the Customs Act and Section 11A of the erstwhile Central Excise Act — the termini for adjudication under Section 74(10) of the CGST Act is not pegged to the date of SCN but is computed separately for each financial year from the due date of furnishing of annual return.

A2Z Taxcorp LLP

- **Held that**, issuance of a consolidated SCN covering multiple financial years would cause prejudice to an assessee, since the full statutory period available for adjudication of each year would stand curtailed by the limitation period applicable to the earliest financial year, thereby rendering the assessee's opportunity to adduce evidence illusory.
- **Held that**, a consolidated SCN would also result in an inflated determination of tax, interest and penalty for all years put together, in turn enhancing the pre-deposit burden on the assessee at the appellate stage — contrary to the principles of fairness in taxation as enunciated by the Hon'ble Supreme Court in *CIT v. Simon Carves Ltd.* [(1976) 4 SCC 435].
- **Directed that**, the Department shall pass separate adjudication orders for each of the financial years covered in the consolidated SCN, while permitting the passing of order for FY 2017-18 within the limitation period prescribed under Section 74(10) of the CGST Act.

Our Comments:

Section 74 of the CGST Act empowers the proper officer to issue a show cause notice in cases involving fraud, wilful misstatement or suppression of facts to evade tax. The structure of the provision — particularly **Section 74(2)** (SCN to be issued at least six months prior to the time limit specified in Section 74(10)) and **Section 74(10)** (order to be passed within five years from the due date of furnishing the annual return for the financial year to which the tax/ITC relates) — makes it abundantly clear that the limitation framework is tethered to each financial year independently. The very anchor of the limitation period being the “financial year to which the tax... relates” is the cornerstone of the Kerala High Court's reasoning that consolidated SCNs distort the statutory scheme.

A2Z Taxcorp LLP

The question of permissibility of consolidated/clubbed SCNs spanning multiple financial years has generated significant judicial divergence across High Courts, the prominent strands of which are summarised below:

- **Bombay HC Reference to Larger Bench:** Recently, the Hon'ble Bombay High Court (Division Bench) in [Rollmet LLP v. Union of India \[WP No. 16848 of 2025 & connected matters dated April 17, 2026\]](#) has expressed serious doubt over the correctness of the earlier Bombay High Court (Goa Bench) ruling in *Milroc Good Earth Developers*, which had held that consolidated show cause notices under Sections 73/74 of the CGST Act covering multiple financial years are impermissible. Considering the conflicting judicial views across various High Courts, the Division Bench observed that Sections 73(1)/74(1) and particularly sub-sections (3) thereof use the expressions “any period” and “such periods”, which prima facie indicate that the statute does not expressly restrict issuance of a single SCN to one financial year alone. The Court further noted that the limitation prescribed under Sections 73(10)/74(10) governs only the time limit for passing adjudication orders and not the issuance of show cause notices. The Bench also took note of the Delhi High Court decisions in *Mathur Polymers* and *Ambika Traders*, wherein consolidated SCNs were upheld, and particularly emphasized that the Supreme Court's speaking order dismissing the SLP against *Mathur Polymers* may have binding implications under Article 141 of the Constitution. In view of the substantial divergence of opinion between different High Courts on the issue, **the Bombay High Court referred the matter to a Larger Bench to authoritatively decide whether consolidated SCNs for multiple financial years are legally sustainable under the CGST Act, while directing that interim protections granted in pending matters shall continue until final adjudication.**
- Notably, before the Hon'ble Gujarat High Court, the Revenue itself submitted that the process of amending the law regarding clubbed SCNs has commenced — reminiscent of the JAO vs. FAO issue under the Income-tax Act.

A2Z Taxcorp LLP

- **Bombay High Court** in subsequent cases such as *Jagruteshwar Metals [WRIT PETITION NO. 8367/2023]* and *ICAD School of Learning [WRIT PETITION NO. 736 OF 2026]* has held that its earlier rulings in *Milroc Good Earth Developers v. Union of India [2026] 104 GSTL 45 (Bombay)*, and *Rite Water Solutions (India) Ltd. Vs. Joint Commissioner, CGST & Central Excise, Nagpur and Ors. [Writ Petition No. 466/2025 decided on 28/11/2025]* — which are against clubbed SCNs — would prevail over the contrary view taken by the Delhi High Court in *Mathur Polymers v. Union of India [(2026) 154 GSTR 443]*.
- **Karnataka High Court** has held that a common SCN which groups multiple tax periods is fundamentally flawed. In another noteworthy ruling, the Hon'ble Karnataka High Court has held that clubbing/ consolidation/ bunching/ combining of multiple tax periods or financial years in a solitary/single/composite show cause notice is illegal, invalid and impermissible, as it enables the Department to blur the statutory distinction between Section 73 and Section 74 of the CGST Act.
- **Madras High Court** in *Instakart Services Pvt. Ltd. [WP No. 464 of 2022]* quashed the SCN issued for multiple tax periods and directed the Department to initiate fresh financial-year-wise proceedings.
- **Kerala High Court** (in the present case) has issued directions to pass separate adjudication orders for the multiple financial years consolidated in a single SCN, ruling that there is no statutory mandate for clubbed proceedings under Section 74 of the CGST Act.
- **Per contra**, certain High Courts — relying on rulings such as *Ambika Traders [W.P.(C) 4853/2025]*, *Technosys Integrated Solutions [W.P.(C) 5581/2025]* and *M/s Vallabh Textiles v. Additional Commissioner, Central Tax GST, Delhi East & Ors. [2025: DHC: 2559-DB]*.— have taken the view that neither Section 74(2) nor Section 74(10) of the CGST Act contains any statutory prohibition against issuance of consolidated

A2Z Taxcorp LLP

notices/orders for multiple years and that such consolidation may, in fact, be necessary in cases involving alleged fraudulent availment/utilisation of ITC across interconnected transactions.

Given the sharp divergence of judicial opinion across various High Courts, the Hon'ble Supreme Court's intervention in the present matter is of considerable significance. A pronouncement by the Apex Court is likely to finally settle the controversy on the permissibility of clubbed multi-year SCNs under Section 74, bringing about much-needed uniformity and clarity on the interplay between limitation, principles of natural justice, the statutory distinction between Sections 73 and 74, and the taxpayer's right to defend year-wise allegations on merits.

Until the matter attains finality, taxpayers presently facing consolidated/clubbed SCNs would be well advised to preserve their objections on this jurisdictional ground at every stage — be it in reply to the SCN, before the adjudicating authority, in appeal, or in writ jurisdiction — so as to safeguard their rights pending the final verdict of the Hon'ble Supreme Court.

[CLICK HERE FOR OFFICIAL JUDGMENT COPY](#)

(Author can be reached at info@a2ztaxcorp.com)

DISCLAIMER: The views expressed are strictly of the author and A2Z Taxcorp LLP. The contents of this article are solely for informational purpose and for the reader's personal non-commercial use. It does not constitute professional advice or recommendation of firm. Neither the author nor firm and its affiliates accepts any liabilities for any loss or damage of any kind arising out of any information in this article nor for any actions taken in reliance thereon. Further, no portion of our article or newsletter should be used for any purpose(s) unless authorized in writing and we reserve a legal right for any infringement on usage of our article or newsletter without prior permission.