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Unreasoned GST Orders Violative of Natural Justice Liable to be Quashed

The Hon'ble Punjab and Haryana High Court in the case of ***M/s Bagga Vet Pharma v. State of Punjab and another [CWP No. 7816 of 2026, order dated April 17, 2026]*** held that an order passed without assigning reasons and without considering the reply of the assessee suffers from complete non-application of mind and is liable to be quashed, while permitting the Revenue to proceed afresh in accordance with law.

Facts:

M/s Bagga Vet Pharma **("the Petitioner")** is a proprietorship concern engaged in the trading of Veterinary and Poultry Feed Supplements and Additives.

State of Punjab and another **("the Respondent")** issued show cause notices alleging that the Petitioner failed to reverse Input Tax Credit (ITC) on common inputs used for taxable and exempt supplies and confirmed a demand of ₹2,30,52,557/- under Section 73 of the CGST/PGST Act.

The Petitioner contended that, the impugned order was passed without considering its detailed replies and reconciliation statements, and that the order travelled beyond the scope of the show cause notice. Further they submitted that, for FY 2020-21, on identical issues, proceedings were dropped after considering replies and ITC was correctly availed only for taxable supplies, supported by documents and CBIC circulars dated June 26, 2024 and September 12, 2025.

The Respondent contended that the Petitioner failed to satisfactorily explain discrepancies in ITC reversal and that the matter remained sub-judice on merits regarding applicability of ITC reversal.

Aggrieved by an unreasoned order confirming demand without proper consideration of replies and beyond the scope of SCN, the Petitioner approached the High Court by way of a writ petition under Articles 226 of the Constitution of India seeking quashing of the impugned order.

Issue:

Whether an order passed under Section 73 of the CGST Act, without assigning reasons and without considering the assessee's replies, is liable to be quashed for non-application of mind?

Held:

The Hon'ble Punjab and Haryana High Court in ***CWP No. 7816 of 2026*** held as under:

- Observed that, no cogent reason at all was provided in the impugned order for not accepting the replies filed by the Petitioner.
- Noted that, the order merely stated that the matter was "sub-judice" on merits without explaining the basis for such conclusion.
- Observed that, there was "no reason at all" as to which outward supplies were tax free and which were taxable after considering CBIC circulars dated June 26, 2024 and September 12, 2025.
- Noted that, there was not even a whisper explaining how the Respondent concluded that the matter was sub-judice, especially when proceedings for FY 2020-21 were dropped after considering replies.
- Held that, the impugned order suffers from complete non-application of mind and is liable to be set aside.

- Directed that, the impugned order dated December 30, 2025 is quashed. However, the authorities are permitted to proceed afresh in terms of the DRC-01 after considering all replies and granting fresh opportunity of hearing in accordance with law.

Our Comments:

The Court strictly enforces the principle of reasoned orders as part of natural justice, particularly in tax adjudication. The absence of reasoning and failure to deal with replies renders the adjudication arbitrary.

The judgment aligns with settled jurisprudence. The Supreme Court of India in the case of ***Siemens Engineering & Manufacturing Co. vs Union of India [1976 AIR 1785]*** held that every quasi-judicial order must be supported by reasons. Although this case deals with the Customs law jurisprudence, it is relevant to the extent it lays down the importance of reasoned orders.

Further in the case of ***Aggarwal Dyeing and Printing Works vs State of Gujarat [C/SCA/18860/2021 order dated February 24, 2022]*** the Hon'ble Gujarat High Court held that reasons are heart and soul of the order and non communication of same itself amounts to denial of reasonable opportunity of hearing, resulting in miscarriage of justice.

Relevant Provisions:

Section 73 of the CGST Act, 2017

"73. Determination of tax pertaining to the period up to Financial Year 2023-24, not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason other than fraud or any willful-misstatement or suppression of facts.-

(1) Where it appears to the proper officer that any tax has not been paid or short paid or erroneously refunded, or where input tax credit has been wrongly availed or utilised for any reason, other than the reason of fraud or any wilful-misstatement or suppression of facts to

evade tax, he shall serve notice on the person chargeable with tax which has not been so paid or which has been so short paid or to whom the refund has erroneously been made, or who has wrongly availed or utilised input tax credit, requiring him to show cause as to why he should not pay the amount specified in the notice along with interest payable thereon under section 50 and a penalty leviable under the provisions of this Act or the rules made thereunder.

(2) The proper officer shall issue the notice under sub-section (1) at least three months prior to the time limit specified in sub-section (10) for issuance of order.

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