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[2025] 181 taxmann.com 377 (Article)

[2025] 181 taxmann.com 377 (Article)©
Date of Publishing: December 12, 2025

Prolonged period of administrative inactivity

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Procedural irregularities

In *Shubham Steel Traders* v. *State of UP* [2024] 160 taxmann.com 374/86 GSTL 77/104 GST 164 (Allahabad), the Allahabad High Court underscored a fundamental principle: 'Rules of natural justice ensure fairness in proceedings'. The Court identified several procedural lapses that rendered the impugned order vulnerable.

Chronology of Events and Procedural Irregularities

The assessing authority issued a notice under section 74 of the CGST Act on 20-05-2023, granting the petitioner one month to comply, along with a show-cause notice requiring a reply within 15 days.

The petitioner duly filed its reply on 26-07-2023. Thereafter, the proceedings remained dormant for nearly four months.

Suddenly, on 31-10-2023, a reminder notice was issued seeking documents within five days, fixing the next hearing for 06-11-2023. According to the petitioner, it appeared on the scheduled date and sought an adjournment. No further date was communicated thereafter.

However, a final order was passed on 20-11-2023, with the order neither recording the petitioner's appearance on 06-11-2023 nor noting any rejection of its request for time. Crucially, the authority had not fixed or communicated 20-11-2023 as the next date of hearing.

Allahabad High Court Findings

The State argued that the petitioner had an alternative remedy of appeal and had only itself to blame for not complying with the reminder notice. The High Court rejected this contention.

The Court emphasized that once the matter was listed for hearing on 06-11-2023, the authority was obliged either to pass an order on that date or fix and communicate a fresh date. By failing to do either, the authority imposed an ex-parte outcome upon the petitioner through its own administrative lapse. The haste shown in issuing a five-day notice after months of inaction further indicated an undue and unexplained urgency. For more than 4 months no proceedings were held by the assessing authority and all of a sudden an adverse order stood passed after a short notice of 5 days. The Allahabad High Court sensed procedural irregularities in this case including a clear presence of prolonged delay in the conduct of proceedings. The High Court held that rules of natural justice ensure fairness in proceedings whereas the proceedings were concluded wrongly and unfairly, thus amounting to a breach of natural justice.

Broader Implications for Income Tax Proceedings

When it comes to procedural irregularities and prolonged periods of administrative inactivity the income tax assessment and appeal proceedings are way ahead. Such procedural gaps are not uncommon in income-tax assessments and appeals before the Commissioner (Appeals), where cases frequently remain pending for months or years despite taxpayers having filed complete submissions. These prolonged periods of administrative inactivity, followed by sudden adverse orders, can constitute a valid and substantial ground for challenge on the basis of denial of natural justice.

The Allahabad High Court's ruling reinforces that adjudicating authorities cannot remain passive for extended periods and then, without adequate notice or communication, proceed to dispose of matters ex-parte. Administrative silence followed by abrupt action undermines procedural fairness.

Conclusion

This decision serves as a timely reminder to assessing officers and appellate authorities alike. The proceedings must be conducted in a structured, consistent, and transparent manner. Authorities are expected to act on submissions in a reasonable timeframe, communicate hearing dates clearly, and avoid procedural ambushes. Failure to adhere to these basic standards and prolonged period of administrative inactivity exposes their orders to challenge as being vitiated by procedural irregularity and violation of natural justice.

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