

**GST registration could not be cancelled on the basis of direction of Head Office without assigning any reason**

The Hon'ble Telangana High Court in *M/s S.B. Traders. v. The Superintendent [W.P. Nos. 39498 & 39502 of 2022 dated October 28, 2022]* set aside the orders passed by the Revenue Department cancelling Goods and Services Tax ("GST") Registrations of the assessee. Held that, no GST registration could be suspended or cancelled on basis of Head Office directions without assigning any reason.

**Facts:**

M/s S.B. Traders ("**the Petitioner**") is engaged in the business of purchase and sale of iron scrap.

That a Show Cause Notice ("**SCN**") dated September 29, 2022 was issued by the Superintendent ("**the Respondent**") to the Petitioner to show cause as to why the GST Registration of the Petitioner should not be cancelled. The Respondent simply mentioned in the SCN that in case the Petitioner have obtained GST registrations by means of fraud, wilful misstatement or suppression of facts, then their GST registrations were liable to be cancelled. However, no particulars of any such fraud, wilful misstatement or suppression of facts were mentioned in the SCN.

Further, the Petitioner was directed to appear before the Respondent on the next day of service of SCN i.e. September 30, 2022 and furnish the reply within seven working days from the date of service of SCN. Further, the Petitioner's GST registrations were suspended w.e.f. September 29, 2022.

Subsequently, the reply of the SCN was filed by the Petitioner on October 12, 2022 and on the same day orders ("**Impugned Orders**") were passed by the Respondent for cancellation of their

GST registrations, on the basis of directions of the Head Office that were not disclosed, and the registrations were suspended and cancelled.

Hence, this Petition had been filed.

**Issue:**

Whether the Impugned Orders passed by the Respondent for cancellation of GST registrations without stating any reason are valid?

**Held:**

The Hon'ble Karnataka High Court in ***W.P. Nos. 39498 & 39502 of 2022*** held as under:

- Opined that, issuance of SCN for cancellation of GST registration has got serious consequences and could not have been issued in such a cavalier manner.
- Noted that, suspending registrations on the basis of direction of the Head Office cannot be a reason for cancellation of GST registration.
- Stated that, the SCN was issued and the Impugned Orders were passed in a most mechanical manner exhibiting complete non application of mind.
- Set aside the SCN and the Impugned Orders.

***(Author can be reached at [info@a2ztaxcorp.com](mailto:info@a2ztaxcorp.com))***

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