



Supreme Court Ruling on GST Parallel Proceedings

A landmark decision in *Armour Security (India) Ltd. v. Commissioner, CGST (2025)* clarifies when tax authorities can initiate proceedings under GST's dual control framework.



About Us

- ☞ Dealing in Indirect Tax Litigation and Advisory, Investment Banking, Valuations, Audit & Assurance
- ☞ Team of around **200 people (60+ CA's & Advocates)**
- ☞ Founded and led by Partners having experience in leading firms (**LKS/Big 4s/MNCs**) - **12 Partners**
- ☞ Serving more than **300 Corporates/MNCs** across various sectors
- ☞ Knowledge partner of **PHD Chamber, Assocham, Taxsutra** and various platforms
- ☞ Awarded by **Achromic Point** as '**Indirect Tax Consulting Firm of the Year**' and '**Best Investigation Team**'



ACHROMIC POINT®

Background

Under the GST framework, both the **Central** and **State tax authorities** are vested with the powers to initiate investigations, issue summons, and adjudicate tax demands. This “dual control” often gave rise to a concern of **parallel proceedings**—where a taxpayer could face inquiries or actions from both authorities for the same period and the same allegations.

To address this concern, **section 6(2)(b) of the CGST Act** provides that once proceedings on a particular matter are initiated by one authority, the other authority is barred from initiating proceedings on the same subject matter.

However, disputes frequently arose around what constitutes “initiation of proceedings” and what qualifies as the “same subject matter.” Taxpayers argued that even investigative steps like search, summons, or recording of statements should trigger the statutory bar, while authorities maintained that only a show-cause notice (SCN) marks the true commencement of proceedings. The lack of clarity led to multiple challenges before High Courts and finally before the Supreme Court.

In the recent **Armour Security (India) Ltd. v. Commissioner, CGST¹** ruling, the Supreme Court settled this controversy by holding that **summons are merely investigatory tools and not “proceedings” under section 6(2)(b)**. The bar provided in section 6(2)(b) applies only once an SCN is issued. This means, any action arising from the audit or scrutiny of returns must be initiated by the tax administration to which the taxpayer is assigned. However, the intelligence-based investigation can be initiated by both authorities, but only one can issue and pursue a notice on the same issue. This balance ensures effective investigation while protecting taxpayers from multiplicity of proceedings.

¹ 2025-VIL-63-SC

Key observations of SC

- Section 6(2)(b) of the CGST Act and the equivalent State enactments bars the initiation of any parallel proceedings on the same subject matter.
- The expression “initiation of any proceedings” occurring in Section 6(2)(b) refers to the formal commencement of adjudicatory proceedings by way of issuance of a show cause notice, and does not include the issuance of summons, or the conduct of any search, or seizure etc.
- At the stage of issuing summons, the Department is yet to determine whether proceedings should be initiated against the assessee. Such evidence-gathering and inquiry do not constitute “proceedings” within the meaning of Section 6(2)(b) of the CGST Act.
- The expression “subject matter” refers to any tax liability, deficiency, or obligation arising from any particular contravention which the Department seeks to assess or recover.
- The test for determining whether the subject matter is the “same” involves two steps: first, examining whether an authority has already proceeded on an identical tax liability or alleged contravention arising from the same set of facts; and second, assessing whether the demand or relief sought is identical.
- **Any action arising from the audit of accounts or detailed scrutiny of returns must be initiated by the tax administration to which the taxpayer is assigned.**
- **Both the Central and the State tax administrations are empowered to initiate intelligence-based enforcement action despite the taxpayer having been assigned to the other administration.**
- If the two proceedings initiated by the Department seek to assess or recover an identical or a partial overlap in the tax liability, deficiency or obligation arising from any particular contravention, the bar of section 6(2)(b) would be immediately attracted.

Guidelines issued by SC for handling parallel proceedings on same subject matter

The Supreme Court has laid down the following guidelines to be followed where, after one authority has commenced an inquiry or investigation, another authority initiates a parallel inquiry or investigation on the same subject matter:

- Mere issuance of a summons does not enable either the issuing authority or the recipient to ascertain that proceedings have been initiated. Therefore, assessee is, in the first instance, obliged to comply by appearing and furnishing the requisite response to the summons or a show cause notice issued.
- Where an assessee becomes aware that the matter being inquired into or investigated is already the subject of an inquiry or investigation by another authority, the assessee shall immediately inform in writing to the authority that has initiated the subsequent inquiry or investigation.
- Upon receiving such intimation from the assessee, the concerned tax authorities shall coordinate with each other to verify the claim.
- If the assessee's claim of overlapping inquiries is found untenable, and the investigations of the two authorities relate to different "subject matters," the assessee shall be promptly informed in writing, with reasons and a clear specification of the distinct subject matters.
- The tax authorities are entitled to conduct an inquiry or investigation until it is established that both are examining the same liability, the same alleged contravention, or where a show-cause notice has already been issued. Any subsequent show-cause notice covering a liability already addressed in an existing notice shall stand quashed.
- If the Central or State tax authority finds that the matter under its inquiry or investigation is already being examined by another authority, both authorities shall mutually decide which of them will continue with the proceedings. The other authority shall then forward all relevant material and

information from its inquiry or investigation to the designated authority for carrying the matter to its logical conclusion.

- If the authorities are unable to agree on which of them should continue the inquiry or investigation, the authority that first initiated the proceedings shall be empowered to carry it to its logical conclusion, and the courts, in such cases, shall be competent to order the transfer of the inquiry or investigation to that authority.
- If it is found that the authorities are not complying with these aforementioned guidelines, it shall be open to the taxable person to file a writ petition before the concerned High Court under Article 226 of the Constitution of India.
- At the same time, taxable persons shall ensure complete cooperation with the authorities. It shall be obligatory for them to appear in response to a summons and/or reply to a notice.



CONTACT US

-  A-17, Pushpanjali Enclave, New Delhi - 110034
-  Oahfeo Workspaces, Building No 618P, Durga Colony, Sector 39, Gurugram, Haryana 122002
-  501, Sheetal Enclave, Mindspace, Nr. Tangent Showroom, Off New Link Road, Malad (W), Mumbai - 400064
-  +91 11 4904 0239
-  indirecttax@tattvamgroup.in

 www.tattvamadvisors.com

