Case Citation: (2026) taxcode.in 1243 HC

NC: 2026:KHC:30501
WP No. 52946 of 2018

HC-KAR

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 19TH DAY OF JUNE, 2026

BEFORE

THE HON'BLE MR. JUSTICE R. NATARAJ

WRIT PETITION NO. 52946 OF 2018 (BDA)

BETWEEN:

M/S. NAVEEN VIDYA MANDIRA TRUST (R)
REPRESENTED BY ITS SECRETARY,
SRI SUDHIR HEGDE,
AGED ABOUT 44 YEARS,
C.A.SITE NO.10, 17TH CROSS,
33RD MAIN, J.P NAGAR,
VI PHASE, BENGALURU-560078

...PETITIONER

(BY SRI. M. NARAYANA BHAT, ADVOCATE)

AND:

1. THE SECRETARY TO GOVT (M & UDD)
URBAN DEVELOPMENT DEPARTMENT,
ROOM NO.434, VIKAS SOUDHA,
DR. B.R.AMBEDKAR VEEDHI,
BENGALURU-560001

2. THE COMMISSIONER
BENGALURU DEVELOPMENT AUTHORITY,
K P WEST, T.CHOWDAIAH ROAD,
BENGALURU-560020

3. THE SECRETARY
BENGALURU DEVELOPMENT AUTHORITY,
K.P. WEST, T.CHOWDAIAH ROAD,
BENGALURU-560020

4. THE DEPUTY SECRETARY-I
BENGALURU DEVELOPMENT AUTHORITY,
K.P. WEST, T.CHOWDAIAH ROAD,
BENGALURU-560020

...RESPONDENTS

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HC-KAR

(BY SRI. ADITYA DIWAKAR, ADDITIONAL GOVERNMENT ADVOCATE FOR RESPONDENT NO.1;

SRI. N.R.GIRISHA, ADVOCATE FOR RESPONDENT NOS.2 TO 4)

THIS WP IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO RESTRICT THE ILLEGAL DEMAND OF 2ND RESPONDENT BY IMPOSING GST TO THE PETITIONER ON REMITTANCE OF LEASE VALUE ON 6.10.2018 AT ANNEXURE-K VIDE NO.BDA/EO/CA/ /2018-19 WHERE THERE IS NO RULE OF LAW TO THE BDA ACT FOR IMPOSING GST AND ETC.

THIS PETITION, COMING ON FOR PRELIMINARY HEARING IN 'B' GROUP, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE R. NATARAJ

ORAL ORDER

The petitioner has called in question a demand bearing No.ಬೆಂ ಅ ಪ್ರಾ /ಇ ಒ/ಸಿ ಎ/ /2018-19 dated 06.10.2018 issued by the Estate Officer of the respondent No.2 - Bangalore Development Authority (for short, 'BDA') claiming Goods and Services Tax (for short, 'GST') on the lease amount. The petitioner has also sought for a direction to the respondent Nos.2 to 4 to execute an agreement of lease for the extended period of 30 years from the date of expiry of lease and to consider its extension as per the Resolution on Subject No.159/14 dated 30.12.2015.

2. The petitioner was granted a civic amenity site bearing No.10 i.e. the petition schedule property on lease by the respondent No.2 - BDA for educational purposes on 26.05.1986 for a period of 30 years from the date of issuance of possession certificate, which expired on 29.05.2016. The petitioner made a request for renewal of the lease on 05.01.2016. The petitioner claims that after several requests, it was communicated by the respondent No.4 vide his letter dated 11.04.2017 that the lease was renewed with effect from 29.05.2016 to 28.05.2046 as per the order of the Commissioner dated 06.09.2016 subject to payment of a lease rental of Rs.3,33,94,651/-. The petitioner resisted the demand on the ground that the lease rental was exorbitant and was not in compliance with the Resolution on subject No.159/2014 of the Board of respondent No.2 - BDA dated 30.12.2015, in terms of which, the petitioner was bound to pay only Rs.1,61,62,060/- and penalty of Rs.22,66,127/-. Petitioner claims that in line with the said Resolution dated 30.12.2015, it

deposited a sum of Rs.1,61,62,060/- and penalty of a sum of Rs.22,66,127/- on 31.10.2017. Thereafter, the petitioner caused notices to the respondents to rectify the mistake in demanding lease rental of Rs.3,33,94,651/-. Petitioner claims that the respondents had accepted the lease rental and thereafter, renewed the lease with effect from 29.05.2016. The petitioner contends that if only the lease was renewed soon after the request was made, the petitioner was not liable to pay GST. However, since the respondents delayed the consideration of renewal of the lease, the petitioner is forced to pay GST. He contends that the petitioner had deposited the lease rental on 31.10.2017 itself, i.e. much before the Estate Officer of respondent No.2 - BDA had raised a demand for Rs.3,33,94,651/- on 11.04.2017. He thus contends that the petitioner is not liable to pay any interest as claimed by the respondent No.2 in the impugned demand notice.

3. Learned counsel for the petitioner reiterated the above submissions and sought for quashing of the impugned demand.

4. The petition is opposed by the respondent Nos.2 to 4 contending that it is the discretion of the Board of the respondent No.2 - BDA to renew or not to renew the lease. It is claimed that the lease in the present case was renewed for a period of 30 years as per the order dated 06.09.2016 and the lease rental is revised from time to time by the Board. It is contended that the respondent No.2 - BDA had passed a Resolution on subject No.159/2014 dated 30.12.2015 in which it was decided that any Civic amenity Site allotted for the purpose of English and Kannada Medium School, the lease rent shall be fixed at Rs.2,500/- plus 5% guidance value of the property per square metre. Therefore, the respondent No.2 - BDA had calculated the lease amount payable at a sum of Rs.2,58,79,514/- which included 18% GST. It is contended that at a meeting held on 31.08.2016 for the revision of the lease amount and renewal of civic amenity sites, an official order bearing No. BDA / Comm / ASA / N. SAU. NI. PA. DARA / 381 / 2016 was passed. It is contended that if the above official order is taken into consideration, the petitioner may have to pay more than the amount now specified in the demand notice. It is contended that as per Section 7 of the Central Goods and

Services Act, 2017 (for short, the 'CGST Act'), the petitioner is bound to pay GST on renting out of immovable property as it is treated as a rendition of service. It is contended that the Commissioner of the respondent No.2 - BDA had approved the renewal of the lease for a period of 30 years with effect from 29.05.2016 to 28.05.2046 in terms of the order of the Commissioner dated 06.09.2016 and the lease amount was calculated as per the Resolution bearing No.26/16 dated 31.08.2016 and the petitioner was directed to pay a sum of Rs.3,33,94,651/-. It is contended that the petitioner thereafter requested the respondents to calculate the lease rental as per the Resolution on Subject No.159/2014 as the lease had expired on 25.05.2016. Accordingly, the respondent No.2 calculated the lease amount as per the Resolution on Subject No.159/2014 and directed the petitioner to pay a sum of Rs.1,61,62,060/- with 18% interest in terms of the notice dated 06.10.2018. Hence, the petitioner was directed to pay a sum of Rs.38,41,700/- towards interest for the period from 26.08.2016 to 20.12.2017. It is contended that out of a demand of Rs.2,58,79,514/-, the petitioner has paid a sum of

Rs.1,84,28,187/- and therefore, the petitioner is bound to pay a sum of Rs.74,51,327/- as on 06.10.2018.

5. Learned counsel for respondent Nos.2 to 4 reiterated the above submissions and sought for dismissal of the petition.

6. Rejoinder is filed by the petitioner to the statement of objections filed by the respondent Nos.2 to 4 *inter alia* stating that the respondent No.2 – BDA has illegally demanded GST and interest in respect of the lease renewal amount and liability, if any, has arisen solely on account of the inordinate delay and inaction on the part of the BDA in processing the application for renewal of lease. It is stated that the BDA had initially computed and demanded an incorrect lease renewal amount and the same was brought to the notice of the BDA by the petitioner and upon verification, the BDA itself revised the demand thereby admitting that the earlier computation was erroneous. It is further stated that the GST came into force on 01.07.2017 and that the renewal application had been filed by the petitioner before that date and the delay period is attributable to BDA. The lease amount was required to be paid

as on the date on which it was required to be renewed and the law prevailing as on the said date was required to be applied and not the law which has come in to force later. Thus, it is contended that the petitioner cannot be burdened with GST, interest or any consequential liability arising from the delay attributable exclusively to the respondent No.2 - BDA.

7. I have considered the submissions of the learned counsel for the petitioner, learned counsel for respondent Nos.2 to 4 and the learned Additional Government Advocate for respondent No.1.

8. The term of the lease of the civic amenity site granted to the petitioner expired on 29.05.2016. The petitioner sought renewal of the lease in terms of its request dated 05.01.2016. At that relevant point of time, the lease rental was to be paid as per the Resolution on subject No.159/2014 dated 30.12.2015. However, the respondent No.2 called upon the petitioner to pay a sum of Rs.3,33,94,651/- as per the Resolution bearing No.BDA/Comm/Aa Sa./Na Sou Ni. Pa Rate/381/2016-17 dated 19.10.2016. Later, the petitioner remitted the lease rental based on the aforesaid Resolution

No.159/2014 on 31.10.2017. The respondent No.2 has acknowledged that the petitioner is liable to pay the lease rental as per the Resolution on Subject No.159/2014 and hence, called upon the petitioner to pay a sum of Rs.1,61,62,060/- along with GST and interest for the period from 26.08.2016 to 20.12.2017. The petitioner has questioned the imposition and demand of GST on the ground that if only the respondent No.2 had considered the request of the petitioner before 01.07.2017, the petitioner was not liable to pay the GST and hence, the liability to pay GST is upon the respondent No.2. It is also contended that the petitioner is not liable to pay the interest as the petitioner had paid the lease rental even before the respondent No.2 had calculated the lease rental as per the Resolution on subject No.159/2014 dated 30.12.2015.

9. The first contention of the petitioner does not merit consideration as the lease rental was remitted by the petitioner on 31.10.2017, by which time the liability to pay GST though arose but was postponed in view of a pendency of a litigation before the Hon'ble Supreme Court, where the question was

whether GST was applicable or payable on lease rentals. The Hon'ble Supreme Court has held that a lessee is bound to pay GST on lease rentals. In that view of the matter, the petitioner cannot avoid the liability to pay the GST on lease rentals.

10. As regards the interest, the initial demand of Rs.3,33,94,651/- was raised by the respondent No.4 on the petitioner on 11.04.2017. The petitioner pointed out to the efficacy of this claim and contended that it was liable to pay the lease rental as per the Resolution passed on Subject No.159/2014 and hence, remitted the lease rental on 31.10.2017 even before the respondent No.2 made a claim. Therefore, the petitioner cannot be exposed to the liability to pay interest.

11. In that view of the matter, this petition is ***allowed in part.*** It is declared that the petitioner is bound to pay the Goods and Services Tax as demanded by the respondent No.2 in the impugned notice dated 06.10.2018 (Annexure 'K' to the petition). However, the petitioner is not liable to pay interest for the period from 26.08.2016 to 20.12.2017. Consequently, the petitioner is also not liable to pay GST on the interest

demanded as per the said notice dated 06.10.2018. The petitioner shall now deposit the GST payable on the lease rental and the additional lease rental of Rs.8,950/- and a sum of Rs.22,66,127/-, being the arrears of lease rental of the previous year, if not already paid. Any shortfall shall be paid by the petitioner to the respondent No.2 - Bangalore Development Authority within a period of two months from the date of receipt of a copy of this order.

Sd/-
(R. NATARAJ)
JUDGE

SMA/List No.: 1 Sl No.: 45