NC: 2026:KHC:42500-DB
WA No. 1938 of 2025

HC-KAR

CNR: KAHC010787872025

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 11TH DAY OF AUGUST, 2026

PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

THE HON'BLE MRS. JUSTICE K.S. HEMALEKHA

WRIT APPEAL NO. 1938 OF 2025 (GM-RES)

BETWEEN:

1. KARNATAKA RESIDENTIAL EDUCATIONAL INSTITUTIONS SOCIETY
REP BY EXECUTIVE DIRECTOR
6TH FLOOR, CUNNINGHAM ROAD
BENGALURU - 560 051

...APPELLANT

(BY SRI VIKRAM A HUILGOL, SENIOR COUNSEL FOR
SRI SHISHIRA AMARNATH, ADVOCATE)

AND:

1. M/S SWEET HOME CONSTRUCTIONS
REPRESENTED BY ITS PROPRIETOR
SRI SHIVANAND R SHETTY
AGED ABOUT 55 YEARS
HAVING ITS PLACE OF BUSINESS AT
NO.8, GROUND FLOOR
DATTATREYA COMPLEX
SAI MANDIR ROAD
KARWAR - 581 306
KARNATAKA

2. GOVERNMENT OF KARNATAKA
REPRESENTED BY ITS
ADDITIONAL CHIEF SECRETARY
DEAPARTMENT OF FINANCE
2ND FLOOR, VIDHANA SOUDHA
DR. AMBEDKAR VEEDHI
BENGALURU - 560 001

…RESPONDENTS

(BY SRI RAVI KIRAN P PAWAR, ADVOCATE FOR C/R1 &
SRI K.S.HARISH, GOVERNMENT ADVOCATE FOR R2)

THIS WRIT APPEAL IS FILED UNDER SECTION 4 OF THE KARNATAKA HIGH COURT ACT PRAYING TO CALL FOR RECORDS IN WP No.36235/2024, SET ASIDE THE IMPUGNED ORDER DATED 08.04.2025 PASSED BY THE HON'BLE SINGLE JUDGE IN WRIT PETITION No.36235/2024 AND DISMISS THE WRIT PETITION FILED BY THE RESPONDENT No.1 & ETC.

THIS APPEAL, COMING ON FOR PRELIMINARY HEARING, THIS DAY, JUDGMENT WAS DELIVERED THEREIN AS UNDER:

CORAM: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE
and
HON'BLE MRS. JUSTICE K.S. HEMALEKHA

ORAL JUDGMENT

(PER: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE)

1. For the reasons stated in the application-I.A.No.1/2025, the same is allowed. The delay of 207 days in filing the above appeal is condoned.

2. The appellant [hereafter **the employer**] has filed the present appeal impugning an order dated 08.04.2025 passed by the learned Single Judge of this Court in Writ Petition No.36235/2024 (GM-RES).

3. Respondent No.1 [hereafter **the contractor**] had filed the said writ petition, *inter alia*, praying that directions be issued to the employer and Respondent No.2 [**State**] to refund the differential GST paid by the contractor for works executed by it, as per the representation dated 21.11.2024.

4. The employer had invited tenders for construction of BC Post Metric Girls Hostel at Siddara, Karwar Taluk, Uttara Kannada District. The contractor participated in the bidding process and successfully secured the contract for execution of the works. An agreement was executed between the parties on 28.02.2018

(Contract Agreement No.86/2017-18), whereby the contract for executing the said works was awarded to the contractor at a consideration of ₹3,21,44,000/- (Rupees Three crores Twenty one lakhs Forty four thousand only).

5. The contractor claimed that although the contract was executed after the GST regime was rolled out – that is, after 01.07.2017 – it would be entitled to differential GST. It claimed that the agreement was finalised when a GST rate of 12% was applicable. It claimed that initially the GST rate was 18% till 21.08.2017. Thereafter it was reduced to 12% till 31.12.2021. It was again reverted to 18% from 01.01.2022. In this context, the contractor made a representation seeking payment of a sum of ₹26,88,226/- (Rupees Twenty-six lakhs Eighty-eight thousand Two hundred and twenty-six only) along with interest at the rate of 18% per annum till its realisation.

6. The learned Single Judge had, without examining the rival contentions, allowed the said writ petition by referring to the earlier decision rendered in W.P.No.9721/2019 and connected cases

(**Sri Chandrashekaraiah and others v. State of Karnataka and others**[1]).

7. The said decision was rendered in the context of transition from the Value Added Tax [**VAT**] regime to GST regime. In the said cases the Court was concerned with cases where part of the work was executed prior to the rollout of GST and part of the work was executed thereafter.

8. The said decision may not be relevant to the facts of the present case as in the present case, the agreement and the entire works under the agreement were executed after 01.07.2017. However, more importantly, the dispute between the parties is a contractual dispute and involves a question of whether the contractor is entitled to reimbursement of any GST.

9. The contractor's representation indicates that it submitted four (4) bills (3 running bills and the 4th running and final bill). The contractor claimed that GST at the rate of 8% was covered on the initial three running bills and 14% on RA Bill No. 4 and the final bill.

[1] NC:2023:KHC:15431

The contractor also claims that the estimate of the work was framed before the rollout of the GST regime and therefore only 4% on account of the VAT was factored in the schedule of rates adopted for preparation of the estimate.

10. The employer seriously disputes that any differential tax is payable considering the terms of the agreement and that the contracts were executed after the rollout of the GST regime.

11. We note that the learned Single Judge did not examine the said dispute. More importantly, since the dispute is essentially contractual, it would not be apposite to adjudicate it in a proceeding under Article 226 of the Constitution of India.

12. In view of the above, the appeal is allowed and the impugned order is set aside.

13. We clarify that this order would not preclude the respondent No.1 from availing its alternate remedies albeit in accordance with law.

14. Pending applications stand disposed of.

Sd/-
(VIBHU BAKHRU)
CHIEF JUSTICE

Sd/-
(K.S. HEMALEKHA)
JUDGE

KMV/List No.: 1 Sl No.:10.1