HC-KAR



CNR: KAHC010499372026

**IN THE HIGH COURT OF KARNATAKA AT BENGALURU**

**DATED THIS THE 28TH DAY OF JULY, 2026**

**BEFORE**

**THE HON'BLE MR. JUSTICE B M SHYAM PRASAD**

**WRIT PETITION NO. 22520 OF 2026 (T-RES)**

**BETWEEN:**

SHIFA SCRAP TRADERS
NO. 1, GUBBI GATE RING ROAD,
TUMKUR-572101
(REPRESENTED BY ITS PROPRIETOR,
SHAMSHUL KHAMER)
(PROPRIETORSHIP AND
CONCERN)

...PETITIONER

(BY SRI. E.I. SANMATHI., ADVOCATE)

**AND:**

1. DEPUTY COMMISSIONER OF
COMMERCIAL TAXES, (AUDIT)-6.9,
DIVISIONAL GOODS AND
SERVICE TAX OFFICE-6,
3RD FLOOR, KIADB COMPLEX,
14TH CROSS, PEENYA INDUSTRIAL AREA,
BANGALORE-560058

2. THE COMMISSIONER OF
COMMERCIAL TAXES,
18TH MAIN ROAD,
KALIKA CIRCLE, GANDINAGAR,

BANGALORE-560009

...RESPONDENTS

(BY SRI. K. HEMA KUMAR, AGA A/W
SMT. MALAVIKA PRASAD, HCGP )

THIS WP IS FILED UNDER ARTICLES 226 & 227 OF THE CONSTITUTION OF INDIA PRAYING TO QUASH (A) ORDER UNDER SECTION 74 OF THE KARNATAKA GOODS AND SERVICES TAX ACT, 2017 AND CONCURRENT PROVISIONS OF THE CGST ACT, 2017 DATED 26/11/2025 BEARING NO. DCCT(A)(6.9)/ DGSTO0-6/DRC-07/2025-26 PASSED BY DEPUTY COMMISSIONER OF COMMERCIAL TAXES (AUDIT) 6.9 DIVISIONAL GOODS AND SERVICE TAX OFFICE 6, BANGALORE FOR PERIOD APRIL 2018 TO MARCH 2019 (ANNEXURE-A) B. ORDER UNDER SECTION 74 BEARING REF NO. ZD291125214752H DATED 26/11/2025 PASSED BY DEPUTY COMMISSIONER OF COMMERCIAL TAXES (AUDIT) 6.9, DIVISIONAL GOODS AND SERVICE TAX OFFICE 6, BANGALORE FOR PERIOD APRIL 2018 TO MARCH 2019 (ANNEXURE-B) C) GST DRC-07 DATED 26/11/2025 BEARING REF NO. ZD291125214752H (ANNEXURE-C) ISSUED BY R1.

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

CORAM: HON'BLE MR. JUSTICE B M SHYAM PRASAD

**ORAL ORDER**

The petitioner's grievance is with the Adjudication Order dated 26.11.2025 [*Annexure - A*] under Section 74 of the Karnataka Goods and Services Tax Act, 2017/Central Goods and Services Tax Act, 2017 [for short, '*the KGST/CGST Act*']. The petitioner has called in question this Order dated 26.11.2025 as also the summary of this order [*Annexure - B*].

2. The petitioner is issued with Intimation in Form GST DRC-01A dated 20.06.2025 [*Annexure - D*] for the tax period 2018-19 referring to inspection of the petitioner's place of business by the Commercial Tax Officer (Enf)-01, South Zone, Bangalore on 09.05.2025 and referring to mismatch in the GSTR-2A and GSTR-3B. The petitioner is subsequently issued with Show Cause Notice dated 25.06.2025 in From GST DRC-01 reiterating the same, and the proceedings are concluded because the petitioner has not responded

either to the Intimation in Form GST DRC-01A or to the notice in Form GST DRC-01.

3. Mr. E. I. Sanmathi, the learned counsel for the petitioner, canvasses that the Adjudicating Officer, in the absence of an allegation of fraud or deliberate misstatement, could not have assumed jurisdiction to initiate proceedings under Section 74 of the KGST/CGST Act. The learned counsel emphasizes that neither the Intimation nor the Show Cause Notice indicate any circumstance that would justify a reasonable inference of fraud or misrepresentation or deliberate mistake and these only refer to the text of the provision. On the merits of the alleged mismatch between the details in GSTR-2A and GSTR-3B, the learned counsel submits that:

- the petitioner can show cause against the mismatch in filing the reconciliation and the petitioner could not file such reconciliation

earlier because the petitioner did not know about the proceedings, and

- the petitioner has secured all the records now and can produce these documents to justify its defense against mismatch.

4. Mr. K. Hema Kumar, the learned Additional Government Advocate who accepts notice for the respondents and who is assisted by Ms. Malavika Prasad, a learned High Court Government Pleader, submits that when there is a specific reference to inspection of the petitioner's place of business by the concerned and the provisions of Section 74 of the KGST/CGST Act are invoked alleging fraud and deliberate misrepresentation, the petitioner, who has not participated in the proceedings, cannot call in question such initiation. When queried on the petitioner providing reconciliation to explain the alleged mismatch with the supporting documents, the learned Additional Government Advocate submits that

because the proceedings are for the assessment year 2018-19, the petitioner can avail the benefit of Circular No.183 and file reconciliation.

5. The circumstances are examined to decide on the terms of interference with the impugned Adjudication Order. The materials on record indicate that the petitioner was served with the Intimation/Show Cause Notice only on E-mail and there is no reference to other modes of service. The petitioner contends that it is in receipt of documents which can justify a reconciliation of the mismatch between the details in GSTR-2A and GSTR-3B but could not produce it in the proceedings as the petitioner was not served. These circumstances provide reason for interference to restore the proceedings, especially when the Circular is issued enabling such reconciliation.

6. However, insofar as the petitioner's grievance with the very initiation of the proceedings under Section 74 of the KGST/CGST Act, this Court is not inclined to make any observation as that is an aspect that should be considered in the light of the explanation that the petitioner could offer in terms of the liberty now reserved. Hence, the following.

***ORDER***

The petition is allowed and the Adjudication Order dated 26.11.2025 *[Annexure-A]* is quashed subject to the following terms.

***[a]*** The proceedings are restored to the first respondent for due consideration subject to the petitioner depositing 10% of the tax in demand by ***05.10.2026*** subject to the outcome in the restored proceedings.

***[b]*** The petitioner is permitted to file, along with the certified copy of this Order, its Reply and the copies of the documents to show the genuineness of the transactions along with the reconciliation in response to the Show Cause Notice dated 25.06.2025 in From GST DRC-01.

***[c]*** The petitioner shall file response and produce the documents by ***05.10.2026*** and the first respondent shall consider these documents and then conclude the proceedings by a reasoned order.

**Sd/-**
**(B M SHYAM PRASAD)**
**JUDGE**

RB, SA