Case Citation: (2026) taxcode.in 1515 HC

HC-KAR

NC: 2026:KHC:39619
WP No. 16000 of 2026

CNR: KAHC010348222026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 29TH DAY OF JULY, 2026

BEFORE

THE HON'BLE MR. JUSTICE B M SHYAM PRASAD

WRIT PETITION NO. 16000 OF 2026 (T-RES)

BETWEEN:

M/S CROSSFIELDS SYNERGY PVT LTD
A PRIVATE LIMITED COMPANY
REGISTERED UNDER
THE COMPANIES ACT HAVING
OFFICE AT 2969, 16TH CROSS,
K R ROAD, BANASHANKARI 2ND STAGE
BENGALURU-560070
REPRESENTED BY ITS DIRECTOR
SRI. ARAVIND PRAKASH
SON OF SRI. L. PADMAPRAKASH
AGED ABOUT 50 YEARS,
NO. 572, 10TH CROSS JAYANAGAR,
7TH BLOCK WEST,
BENGALURU-560070.

...PETITIONER

(BY SRI. JOSEPH VARGHESE., ADVOCATE)

www.taxcode.in

AND:

1. ASSISTANT COMMISSIONER OF
COMMERCIAL TAXES (AUDIT) 3.7
DIVISIONAL GOODS AND
SERVICE TAX OFFICE-3,
2ND FLOOR, BMTC COMPLEX,
SHANTINAGAR,
BENGALURU-560027.

2. THE MANAGER,
INDUSIND BANK, GF,
HAFEEZA CHAMBER-S,
KENGAL HANUMANTHAIAH ROAD,
BENGALURU-560027.

...RESPONDENTS

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

THIS WP IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO QUASHING THE FORM DRC-01 A DATED 14.06.2023 VIDE ACCT(A)-3.7/GSTO-3/DRC-01A-CROSSFIELDS SYNERGY/2023-24 DATED 14.06.2023 ISSUED BY THE RESPONDENT NO.1 FOR THE PERIOD JULY 2017 TO MARCH 2018 AND REFERRED AS ANNEXURE-A1; II) QUASHING THE SHOW CAUSE NOTICE SCN NO ACCT(A)-3.7/ DGSTO-3/ DRC-01- CROSSFIELDS SYNERGY/2023-24 UNDER SECTION 73 OF THE KGST/CGST ACT 2017 DATED 22.08.2023 ISSUED BY

RESPONDENT NO.1 FOR THE PERIOD JULY 2017 TO MARCH 2018 AND REFERRED AS ANNEXURE-A2; QUASHING THE ORDER NO. ACCT(A)- 3.7/DGSTO-3/DRC-07/CROSSFIELDS SYNERGY/2023-24 DATED 27.09.2023 PASSED UNDER SECTION 73 OF KGST/CGST ACT 2017 BY THE RESPONDENT NO.1 AND REFERRED AS ANNEXURE-A3; IV) QUASHING THE NOTICE ISSUED UNDER SECTION 79(1)(C) OF THE ACT DATED 06.03.2026 ISSUE BY THE RESPONDENT NO.1 TO THE RESPONDENT NO.2, I.E. THE MANAGER INDUSIND BANK AND REFERRED TO AS ANNEXURE-A4 BEARING NO. ACCT(A)3.7/DRC 13/2025-26; V) ALTERNATIVELY, REMAND THE MATTER TO THE SHOW CAUSE NOTICE STAGE, DIRECTING THE RESPONDENT NO.1 TO ADJUDICATE THE PROCEEDINGS AFRESH IN ACCORDANCE WITH LAW, AFTER GRANTING THE PETITIONER A FAIR AND EFFECTIVE OPPORTUNITY TO BE HEARD AND CONSIDERING ALL DOCUMENTS AND RECORDS FURNISHED.

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

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

ORAL ORDER

The petitioner's grievance is primarily with the Adjudication Order dated 27.09.2023 under Section 73 of the Karnataka Goods and Services Tax Act, 2017/Central Goods and Services Tax Act, 2017 [for short, 'KGST/CGST *Act*'], and this Adjudication Order is produced as Annexure-A3. The petitioner has also called in question the following:

- Intimation in Form GST-DRC-01A and the Show Cause Notice in Form GST-DRC-01 which are dated 14.06.2023 and 22.08.2023. [*Annexure-A1 and A2*].

- The Communication addressed to its bankers- M/s IndusInd Bank, Bengaluru for recovery of the amount covered under Adjudication Order dated 27.09.2023.

The petitioner alternatively requests for directions to the first respondent [*the Adjudicating Authority*] to

consider afresh the proceedings with a fair opportunity to the petitioner.

2. It is not disputed that there is mismatch in Form GSTR-2A and Form GSTR-3B and that this mismatch is because the petitioner has not declared certain transactions declared by the Supplier and auto populated in Form GSTR -2A. Further, it is undisputed that the petitioner, who did not declare the corresponding transactions in Form GSTR-3B, has declared those in the Annual Returns in Form GSTR-9 when issued with the Show Cause Notice dated 22.08.2023. The petitioner, in its response dated 14.06.2023, has referred to these while requesting for dropping of proceedings only asserting that it has not wrongfully claimed any ITC.

3. The first respondent, while considering the petitioner's responses, has opined that the petitioner has relied upon different decisions, but

those decisions would not inure to the petitioner's advantage and therefore, the objections cannot be sustained. Mr. Joseph Varghese, the learned counsel for the petitioner, canvasses the following.

[a] Whether a Registered Taxable Person [*RTP*] must be called upon to discharge a liability when it has failed to file declarations in Form GSTR- 3B though they are reflected in Form GSTR-2A by the Supplier, has been considered by a Division Bench of Calcutta High Court[1] when a reliance was placed upon the Circular No.183 dated 27.12.2022,

[b] The Division Bench has opined that if a Registered Taxable Person, who has complied with all the requisite

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1 ***Pioneer Co-operative Car Parking Servicing and Construction Society Ltd. V. State of West Bengal*** – *[2025] 172 Taxmann.com 153*

conditions under the SGST/CGST Act and the Rules, will be entitled to ITC and that should not be denied on technicalities further observing that the expression *'reconciliation'* used in the statute [*CGST/KGST Act*] could mean that there can be a rectification of an error which might have occurred when Return is filed in Form GSTR-3B, and

[c] The Division Bench's judgment is in line with the decision by the Madras High Court in ***Shri Shanmuga Hardwares Eletricals v. State Tax Officer***[2].

4. Mr. K. Hema Kumar, the learned Additional Government Advocate who is assisted by Ms. Malavika Prasad, a learned High Court

[2] *[2024] 159 taxmann.com 756/84 GSTL34/103 GST 271 (Mad*

Government Pleader, is heard on the terms for disposal of the petition. The learned Additional Government Advocate first submits that there cannot be any reliance upon the Circular No.183 because it only covers four situations as enumerated and the failure to declare in Form GSTR- 3B is not one of the circumstances in contemplation under this Circular.

5. Mr. K. Hema Kumar next submits that the Circular enables a reconciliation, subject to production of documents, when there is a mismatch between Form GSTR-2A and GSTR-3B because of errors in filing the declarations in Form GSTR-2A by the concerned Supplier and when the Registered Tax Person has declared the transaction in Form GSTR-3B, and therefore, there can be reliance on the Circular in the present case. The learned Additional Government Advocate lastly submits that when the statute does not provide for a modification of the Returns filed in GSTR 3B if there is mismatch, no

exception can be taken with the first respondent confirming the proposition in the Show Cause Notice based on the mismatch in the details between Form GSTR-2A and Form GSTR-3B if the mistake is on the petitioner's part.

6. The rival submissions are considered. This Court must observe that there is no dispute that the '*reconciliation*' is within the contemplation under the CGST/SGST Act and the Rules as elaborated by the Division Bench of Calcutta High Court referring to the provisions of Sections 51 and 52 underscoring the possibility of reconciliation when the annual financial statement is filed in prescribed Form GSTR-9. The Division Bench has exposited thus opining that the word "*reconciliation*" used in the statute could lead to the meaning that there can be a rectification of any error which might have occurred when the taxpayer files his return in Form GSTR-3B.

34. *In our view, the adjudicating authority ought to have considered the effect of GSTR-9 and the particulars furnished therein rather than to say that what was claimed in the annual return was not reflected in the return filed under GSTR-3B. This would be the proper manner in which the case had to be dealt with otherwise the purpose of filing an annual return in terms of section 44(1) of the Act read with rule 80 would become redundant.*

35. *Therefore, we are convinced that the matter has to be readjudicated afresh after considering the GSTR-9 the annual return filed by the appellant in Form GSTR-9.*

7. The Circular No.183 may not cover a situation but enables reconciliation, and this also informs this Court that the authorities are empowered to allow reconciliation when the circumstances are justified. It is not in dispute that

the details which are not mentioned in GSTR-3B but mentioned in declaration in GSTR-2A are part of GSTR-9, and the petitioner can possibly justify the entitlement to ITC based on these. The first respondent will have to examine the details before there can be a definite confirmation of the demand.

8. In this view there is no occasion for quashing of the Show Cause Notices because the mismatch between Form GSTR-2A and Form GSTR-3B, even when the petitioner has erred in filing the details, justifies commencement of proceedings but when the statute allows reconciliation based on the Annul returns in GSTR 9, this Court is of the view that the Adjudicating Officer, who initiates the proceedings either under Section 73 or Section 74 of the KGST/CGST Act, must extend an opportunity to the petitioner to justify the reconciliation in GSTR-9. This would be within the reconciliation framework that is underscored by the Division Branch of the

Calcutta High Court. Hence, the following order answering the question of law in favour of the petitioner:

ORDER

[A] The petition is allowed-in-part and the Adjudication Order dated 27.09.2023 [*Annexure-A3*] and the Communication dated 06.02.2026 addressed by the first respondent to the petitioner's bank [*M/s. Indusind Bank*] dated 06.03.2026 in ACCT[A]-3.7/DRC-13/2025-26 [*Annexure-A4*] are quashed restoring the proceedings to the first respondent to examine the reconciliation that is attempted in filing the relevant GSTR-9.

[B] The petitioner shall, without further notice, appear with the first respondent on ***05.10.2026.***

[C] The petitioner will be at liberty to file reconciliation to justify the Returns to the GSTR 9 with supporting documents.

Sd/-
(B M SHYAM PRASAD)
JUDGE

SA
Ct:sr