HC-KAR

NC: 2026:KHC:53393-DB
WA No. 1535 of 2026

CNR: KAHC010382702026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 23RD DAY OF SEPTEMBER, 2026

PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

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

WRIT APPEAL NO. 1535 OF 2026 (GM-RES)

BETWEEN:

1. THE EXECUTIVE ENGINEER
NWKRTC, CE DIVISION
CENTRAL OFFICE
HUBBALI - 580 009

...APPELLANT

(BY SRI PRADEEP DARAK, ADVOCATE)

AND:

1. M/S MYCON CONSTRUCTION LIMITED
A COMPANY REGISTERED UNDER
COMPANIES ACT, 1956
HAVING ITS OFFICE AT:
INDUSTRY HOUSE, NO.45
RACE COURSE ROAD
BENGALURU - 560 001
REPRESENTED BY ITS DIRECTOR
ANIL KUMAR MALPANI

2. STATE OF KARNATAKA,
DEPARTMENT OF FINANCE
2ND FLOOR, VIDHAN SOUDHA
DR. AMBEDKAR VEEDHI
BENGALURU - 560 001
REPRESENTED BY ITS
ADDITIONAL CHIEF SECRETARY

3. THE CHIEF ENGINEER
KARNATAKA HOUSING BOARD
3RD AND 4TH FLOOR
CAUVERY BHAVAN
BENGALURU - 560 009

4. THE COMMISSIONER
KARNATAKA SLUM DEVELOPMENT BOARD
NO.55, ABHAYA COMPLEX
RISALDAR STREET
SHESHADRIPURAM
BENGALURU - 560 020

5. THE EXECUTIVE DIRECTOR
KARNATAKA RESIDENTIAL EDUCATIONAL
INSTITUTIONS SOCIETY (KREIS)
6TH AND 7TH FLOOR
CUNNINGHAM ROAD
BENGALURU - 560 052

6. THE STATE PROJECT DIRECTOR
RASHTRIYA MADHYAMIK SHIKSHA
ABHIYAN KARNATAKA
SARVA SHIKSHA ABHIYANA
SAMITHI - KARNATAKA
NEW PUBLIC OFFICES ANNEX
NRUPATHUNGA ROAD, K.R. CIRCLE
BENGALURU - 560 001

7. THE MANAGING DIRECTOR
KARNATAKA STATE POLICE
HOUSING AND INFRASTRUCTURE
DEVELOPMENT CORPORATION
NO.59, RICHMOND ROAD
BENGALURU - 560 025

8. THE CHIEF ENGINEER
KUWS & DB
NO.5 & 6, JALA BHAVAN
BTM LAYOUT, 1st PHASE, 1st STAGE

BANNERGHATTA MAIN ROAD
BANGALORE - 560 029

9. THE EXECUTIVE ENGINEER
KUWS & DB DIVISION
RAMAKRISHNA ASHRAM ROAD
AMARJYOTHI NAGAR
TUMKURU - 570 005

10. THE CHIEF OFFICER
TOWN MUNICIPAL COUNCIL
KUNIGAL, TUMKUR DISTRICT - 572 110

11. THE EXECUTIVE ENGINEER
KUWS & DB DIVISION
JALAMANDALI COMPOUND
SIR M. VISWESHVARAYYA ROAD
DHARWAD - 580 001

12. THE EXECUTIVE ENGINEER
KBJNL, NRBC DIVISION NO.6
CHIKKAHONNAKUNI - 584 111
DEVADURGA TALUK
RAICHUR DISTRICT

13. THE EXECUTIVE ENGINEER
KBJNL, JBC DIVISION - 2
BHEEMARAYANAGUDI - 585 287
SHAPUR TALUK, YADGIR DISTRICT

…RESPONDENTS

(BY SRI D.R. RAVI SHANKAR, SENIOR ADVOCATE A/W
SRI NAVEEN G.S., ADVOCATE FOR R-1;
SRI K.S. HARISH, GOVERNMENT ADVOCATE FOR R-2 &
V/O DATED 21.07.2026, NOTICE TO R-3 TO R-13 IS
DISPENSED WITH)

THIS WRIT APPEAL IS FILED UNDER SECTION 4 OF THE KARNATAKA HIGH COURT ACT PRAYING TO ALLOW THE WRIT APPEAL & SET ASIDE THE JUDGMENT DATED 16.09.2025 PASSED IN W.P. No.25439 OF 2023, INSOFAR AS THE PRESENT APPELLANT IS CONCERNED & 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. The Executive Engineer, North Western Karnataka Road Transport Corporation [**NWKRTC**] has filed the present appeal impugning an order dated 16.09.2025 [**impugned order**] passed by the learned Single Judge of this Court in Writ Petition No.25439 of 2023 (GM-RES).

2. The respondent No.1, M/s Mycon Construction Limited [**MCL**], had filed the said writ petition, *inter alia*, praying as under:

> "(a) Issue a writ or such other order in the nature of Mandamus directing the Respondents to refund the differential GST amount (being the difference between GST and VAT) paid by the petitioner for each of the works contract / composite supply executed by the petitioner and tabulated at Annexure A, as per the representations dated 12.06.2023 produced at Annexure C (colly) and dated 24.07.2023 produced at Annexure C-19 (colly) given by the petitioner to respective respondent - employers.

(b) Issue a writ or such other order directing the Respondent No.1 - State Govt, to issue a circular/policy to address the issue of payment of GST on works contract which are executed under VAT regime wherein GST is not paid by the Respondent - Contractors to the GST department.

(c) Pass such other orders as may be deemed appropriate under the circumstances of the case, in the ends of justice."

3. MCL had averred in the petition that it had entered into various contracts with various authorities/corporations including the appellant-NWKRTC, who were arrayed as respondents in the writ petition.

4. MCL did not produce any of the separate contracts entered into with said respondents. However, it enclosed an annexure listing 18 works for which separate contracts were entered into with the concerned respondents. The said annexure indicates that the contracts were entered into between 15.05.2013 and 25.08.2018. MCL had averred in the writ petition that those contracts could be classified into three categories: Category-A being the agreements entered into prior to 01.07.2017; Category-B being the agreements entered into after 01.07.2017, but pursuant to notices inviting

tenders which were e invited prior to the said date; and Category-C being agreements finalised after 01.07.2017, but with old SR rates.

5. According to the MCL, it is entitled to reimbursement of additional payment and tax paid on account of levy of Goods and Services Tax [**GST**] paid on the execution of the said works.

6. The learned Single Judge, without adverting to the facts in the present case or referring to any other contractual provisions, allowed the writ petition by following an earlier decision in the case of **Sri Chandrashekaraiah and others v. The State of Karnataka and others**[1].

7. The learned Single Judge referred to paragraph 18 of that decision and observed as under:

> "What is discernible from paragraph 18 of the said order and the operative portion is that whether contracts that were entered into prior to the GST regime and the work is completed post GST regime, but payments are made post GST or contracts entered into prior to 01.07.2017, but partly executed and balance work executed post GST and all other incidental issues have been decided. The decision is direction for payments of refund of GST, without any verification."

[1] W.P.No.9721/2019(T-RES) and other connected matters disposed on 11.04.2023

8. The learned Single Judge allowed the petition and issued directions in similar terms as in **Sri Chandrashekaraiah and others v. The State of Karnataka and others** (supra). The operative part of the order is set out below:

> "(i) Writ petition is disposed of.
>
> (ii) The Respondents-State and other Govt. agencies/Respondents who have entered into works contract with the petitioner are issued the following directions/guidelines:-
>
> (a) Calculate the works executed pre-GST (prior to 01.07.2017) under KVAT regime and payments received by the petitioner.
>
> (b) The payments received by the petitioner pre-GST for such of the works executed before 01.07.2017 are to be assessed under KVAT tax regime either under COT or VAT scheme as applicable.
>
> (c) Calculate the balance works to be completed or completed after 01.07.2017, in the original contract.
>
> (d) Derive the rate of materials, KVAT items required or used to complete the balance works.
>
> (e) Deduct the "KVAT" amount from those materials and the service tax, if applicable.
>
> (f) Add the applicable "GST" on those items.
>
> (g) Input Credit on the materials is to be arrived at and be set off as against the output GST, for those assessed under regular VAT.
>
> (h) Further, the "tax difference" should be calculated on such balance works executed or to be executed after 01.07.2017 separately.

(i) Based on the result obtained on calculation of the tax difference on the contract value, concerned department/authority has to decide whether agreement needs to be changed or not.

(j) A supplementary agreement may be signed with the petitioner for the revised GST-inclusive work value for the Balance Work completed or to be completed as determined above and in case the revised GST-inclusive work value for the Balance Work, completed or to be completed after 01.07.2017, is more than the original agreement work value, the Petitioners are to be paid /reimbursed, as the case may be, the differential tax amount by the concerned employer; so also, in case payments for works completed pre-GST are made post-GST, the concerned employer has to pay or reimburse, as the case may be, the differential tax amount, to the Petitioners.

(iii) Petitioner is directed to submit comprehensive representations to the respective employers/ Respondents within a period of 4 weeks from the date of receipt of a copy of this order, irrespective of whether they have completed the works pre-GST or post-GST or payments were received or yet to be received post-GST.

(iv) If such representations are submitted, the respective employers/Respondents are directed to consider and dispose of the same in the light of the aforesaid directions / guidelines as expeditiously as possible and at any rate within a period of 8 weeks from the date of submission of the representations.

(v) In view of the interim orders passed by this Court in the present petition, the petitioner if he had not filed his GST returns during the period after 01.07.2017 is permitted to file his returns /amended returns, pursuant to the calculation of the differential tax as per procedure above under GST regime, without insisting on interest or penalty or limitation.

> (vi) The GST authorities are also directed not to take precipitative action against the petitioner for a period of 6 months from the date of receipt of a copy of this order.
>
> (vii) Liberty is reserved in favour of the petitioner to challenge any order / decision passed /taken by the respondents or the authorities, subsequent to this order and also take recourse to such remedies as available in law."
>
> All contentions of both the parties shall remain open."

9. NWKRTC is a statutory public transport undertaking constituted under the Road Transport Corporation Act, 1950.

10. NWKRTC states that it had entered into two contracts with MCL. First, for construction of a modern bus station along with its Allied Works at Haveri; and the second, for construction of the second depot at Dharwad.

11. It is stated that the contract for construction of bus station at Haveri was awarded to MCL pursuant to a short-term tender which was floated on 10.07.2013 and the said contract expressly included the following clauses:

> "2. That the quoted rates shall be inclusive of cost of materials, all lead and lift, and transportation up to work spot.

> 3. The quoted rates shall be inclusive of all taxes, surcharges, service tax, Income Tax, sales tax, etc.
>
> ** ** **
>
> 20. The tender shall study specifications, detailed drawings carefully and visit the work spot, Quarries, before quoting his tender rates. Any requests or claims for Escalation of rates in quoted tender rates for any reasons will not be entertained. Quoted rates are binding on contractor."

12. The said works were to be completed within 18 months (excluding the monsoon period). MCL was directed to commence work on 18.12.2013. According to NWKRTC, the works were required to be completed by 17.12.2015, but were completed on 30.06.2018. It is stated that NWKRTC settled all bills raised by MCL and MCL accepted the payment without any reservation regarding payment of any further taxes.

13. Almost 5 years after completion of the works, MCL issued a letter dated 15.06.2023, now raising claims for “differential GST”.

14. Similarly, in regard to the second contract, that is, for construction of the second depot at Dharwad, the agreement was entered into on 15.02.2017. Under the contract, MCL was required to complete the work by 26.05.2018. The contract was to be

completed within 9 months. However, the project was completed on 15.04.2021, and the MCL had raised its bills.

15. There was no dispute at the material time regarding the payment of any differential GST. It is also contended on behalf of NWKRTC that it had no opportunity to file a statement of objections as the writ petition was disposed of on the first day after notice and by simply following the earlier decision in **Chandrashekaraiah** (*supra*).

16. The learned Senior Counsel appearing for MCL submits that it was not necessary to enclose the relevant agreements, as it was not disputed that contracts were awarded on the basis of old Schedule of Rates, which did not factor the levy of GST. Thus MCL is entitled to reimbursement of the differential GST. He also submitted that the Bombay High Court has taken a similar view in M/s **Indu Construction v. Nagpur Improvement Trust and others**[2].

17. It is apparent from the above that the MCL's claim is that, although the contract expressly provided that the rates were

[2] W.P.No.1867/2023 disposed on 16.07.2026

inclusive of all taxes, it would be entitled to an additional payment on account of change in law.

18. Plainly, the disputes in the present case cannot be decided without reference to the relevant facts. There is an issue as to whether the claims were beyond the limitation period. It is also stated that MCL had raised bills inclusive of GST and had accepted payments without any protest.

19. In the present case, the learned Single Judge did not consider all relevant facts relating to each contract, which were not placed before the learned Single Judge.

20. It is also relevant to note that the Tax authorities have also filed appeals against the blanket orders that were passed following the decision of **Sri Chandrashekaraiah** (*supra*) on the ground that the directions run contrary to the relevant statutes in as much as it directs the tax authorities to reimburse differential tax and/or accept revised returns.

21. The objections raised by the NWKRTC that the MCL's claim for amounts would be barred by limitation in some cases is also required to be considered.

22. Plainly such contractual disputes cannot be examined in a vacuum as has been done by the learned Single Judge. Additionally, it would also be relevant to examine whether the bills raised by MCL for the work done after 01.07.2017 included an element of GST which MCL now seeks to recalculate. It would not be apposite for this Court to examine such disputes in proceedings under Article 226 of the Constitution of India. Accordingly, we allow the present appeal and set aside the impugned order so far as it concerns the NWKRTC.

23. We are inclined to set aside the impugned order in respect of other respondents as well, but some of them may have accepted the said impugned order. In this view, we are limiting the scope of this order to setting aside the impugned order only in respect of the NWKRTC. However, we clarify that this order would not preclude the other respondents from assailing the impugned order, provided

they do so in accordance with law. MCL is also not precluded from availing its remedies.

24. The appeal is allowed in the aforesaid terms.

Sd/-
(VIBHU BAKHRU)
CHIEF JUSTICE

Sd/-
(K.S. HEMALEKHA)
JUDGE

KMV
List No.: 2 Sl No.: 19