HC-KAR

NC: 2026:KHC:16852
WP No. 7854 of 2026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 25TH DAY OF MARCH, 2026

BEFORE

THE HON'BLE MR. JUSTICE S SUNIL DUTT YADAV

<u>WRIT PETITION NO. 7854 OF 2026 (T-RES)</u>

<u>BETWEEN:</u>

1. M/S ACRUTI DESIGN SERVICES
   164, CHOKKASANDRA MAIN ROAD,
   PEENYA, BENGALURU URBAN,
   KARNATAKA-560 057.
   REPRESENTED BY ITS MANAGING PARTNER
   MR. P.JAGDEESH
   AGED ABOUT 45 YEARS
   S/O. K R PARANJOTHI

... PETITIONER

(BY SRI. BHAIRAV G V., ADVOCATE)

<u>AND:</u>

1. OFFICE OF THE DEPUTY COMMISSIONER OF
   COMMERCIAL TAXES
   (AUDIT) 6.3 - GSTO-6,
   3RD FLOOR, KIADB BUILDING
   PEENYA 2ND STAGE,
   BENGALURU-560 058.

2. OFFICE OF THE ASSISTANT COMMISSIONER OF
   COMMERCIAL TAXES
   (AUDIT) 6.7-GSTO-6,
   3RD FLOOR, KIADB BUILDING
   PEENYA 2ND STAGE,
   BENGALURU-56005

3. STATE OF KARNATAKA,
REPRESENTED BY SECRETARY
FINANCE DEPARTMENT,
VIDHANA SOUDHA,
BANGALORE - 560 001.

4. UNION OF INDIA
MINISTRY OF FINANCE,
REPRESENTED BY ITS SECRETARY,
NORTH BLOCK, NEW DELHI-110 001

... RESPONDENTS

(BY SMT. JYOTI M., HCGP FOR R1 TO R3;
SRI MADANAN PILLAI, CGC FOR R4)

THIS W.P. IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO A. SET ASIDE THE FORM DRC-01A NOTICE DATED 16.10.2023, BEARING NO. ACCT (A) 6.7/DGSTO-8/ADJ-74/NO.02/2023-2024-ISSUED BY RESPONDENT NO.2, FOR THE FY 2023-2024 (ANNEXURE-F) AND ETC.

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

CORAM: HON'BLE MR. JUSTICE S SUNIL DUTT YADAV

ORAL ORDER

Petitioner has called in question the validity of the order at Annexure-A passed under Section 74 of the

Central Goods and Services Tax Act, 2017 (for short 'the Act').

2. It is the case of the petitioner that the petitioner was not aware of the proceedings as the notice was not served. It is further submitted that the premise under which the proceedings were initiated is regarding wrongful availment of Input Tax Credit. It is submitted that in the absence of reply to the show cause notice, the authorities have proceeded to adjudicate and pass order at Annexure-A raising the demand. It is accordingly submitted that the order may be set aside and petitioner may be given an opportunity to reply to the show cause notice by placing relevant material to demonstrate that the supplier does exist.

3. In light of such stand of the petitioner and noticing that the order passed at Annexure-A is an ex-parte order without the benefit of any reply by the petitioner, it would be appropriate considering the

consequences that would follow from upholding the order at Annexure-A, to set aside the order at Annexure-A while reserving liberty to make out reply to the show cause notice.

4. Accordingly, the order at Annexure-A is set aside and the matter is remitted to the stage of reply to the show cause notice, copy of which is enclosed at Annexure-G. In light of setting aside of the order at Annexure-A, notices issued by the respondents to third parties under Section 79(1)(c) of the CGST Act, are required to be rescinded forthwith.

5. It is also noticed that pursuant to the order at Annexure-A, there has been recovery by adjustment in the Electronic Credit Ledger with respect to certain amount of tax dues. Needless to state, the adjustment in the Electronic Credit Ledger would be subject to adjudication to be made as directed.

6. Insofar as the notice at Annexure-B is concerned, learned counsel for the petitioner submits that it amounts to parallel proceedings as the subject matter overlaps with the show cause notice at Annexure-G. It is submitted that the said proceeding also requires to be set aside.

7. The proceedings as regards Annexure-B is still at the stage of reply. It would be appropriate, considering that the proceedings as regards the order at Annexure-A is set aside and the matter is remitted to the stage of reply to the show cause notice enclosed at Annexure-G, that the proceedings at Annexure-B would also be clubbed along with the proceedings of the show cause notice at Annexure-G.

8. Petitioner is at liberty to make out reply to both the said show cause notices at Annexures-G and B. All contentions of the petitioner as raised herein insofar as the notice at Annexure-B is kept open.

9. The matter is remitted before respondent No.1 who is to conduct proceedings with respect to show cause notices at Annexure-G as well as Annexure-B. Petitioner to appear before respondent No.1 without further notice on 24.04.2026.

10. The petitioner to pay costs of Rs.10,000/- to the Karnataka Advocate Clerks Benevolent Trust, High Court Building, Bangalore.

11. In light of the above, writ petition is ***disposed of***. All contentions are kept open.

Sd/-
(S SUNIL DUTT YADAV)
JUDGE

VP