HC-KAR

NC: 2026:KHC:54433
WP No. 30218 of 2026

CNR: KAHC010661572026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 30TH DAY OF SEPTEMBER, 2026

BEFORE

THE HON'BLE MR. JUSTICE B M SHYAM PRASAD

WRIT PETITION NO. 30218 OF 2026 (T-RES)

BETWEEN:

VAISHNAVI TRACTORS
A PARTNERSHIP FIRM
REGISTERED UNDER
THE INDIAN PARTNERSHIP ACT,
1932, HAVING ADDRESS AT
B H ROAD, HASSAN CIRCLE KIT,
TIPTUR, TUMAKURU-572201
REPRESENTED BY ITS
MANAGING PARTNER
MR MANJUNATH H.

...PETITIONER

(BY SRI. MADHU H.S., ADVOCATE FOR
MS. TANMAYEE RAJKUMAR., ADVOCATE)

Digitally signed by VANAMALA N
Location: HIGH COURT OF KARNATAKA

AND:

1. ASSISTANT COMMISSIONER OF
COMMERCIAL TAXES
(AUDIT)-TIPTUR,
B H ROAD, TIPTUR-572201.

2. COMMERCIAL TAX OFFICER
(ENFORCEMENT)-01

DEPARTMENT OF COMMERCIAL TAXES,
VANIJYA TERIGE SANKEERNA,
SIDDARAMESHWARA EXTN,
TUMKUR-572103.

3. COMMISSIONER OF COMMERCIAL TAXES
VANIJYA THERIGE KARYALAYA,
GANDHI NAGAR,
KALIDASA ROAD,
BENGALURU-560009.

4. STATE BANK OF INDIA
REPRESENTED BY HEREIN BY
ITS BRANCH MANAGER,
SHIV PLAZA, OPPOSITE TO KALPATHARU
INSTITUTE OF TECHNOLOGY,
HASSAN CIRCLE,
TIPTUR-572201.

...RESPONDENTS

(BY SMT.JYOTHI M MARADI., HCGP)

THIS WP IS FILED UNDER ARTICLE 226 OF THE CONSTITUTION OF INDIA PRAYING TO (1) QUASHING THE IMPUGNED ORDER-IN-ORIGINAL BEARING NO. ACCT/AUDIT/TPR/ORD/F.N 352/2025-26 DATED 22.12.2025 (ANNEXURE C1), TOGETHER WITH SUMMARY THEREOF IN FORM GST DRC-07 BEARING REFERENCE NO. ZD2912251789500 DATED 23.12.2025 (ANNEXURE C2) PASSED BY THE 1ST RESPONDENT UNDER SECTION 73 OF THE GST ACT FOR FY 2021-22; (II) QUASHING THE IMPUGNED GARNISHEE NOTICE IN FORM GST DRC-13 BEARING NO. ACCT(A)TPR/T.NO.

117/2026-27 DATED 09.09.2026 (ANNEXURE D), ISSUED BY THE 1ST RESPONDENT.

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 with the following and these proceedings relate to the financial year 2021-22.

Notices/ Orders	***Date***	***Provisions of Income Tax Act, 1961***	***Annexures***
Impugned Order in original/ Summary of Order in Original	22.12.2025/23.12.2025	73	C1 & C2
Impugned Garnishee Notice	09.09.2026	79(1)(c)	D

The proceedings are in the premise that the petitioner who had to reverse Input Tax Credit [ITC]

corresponding to the Credit Notes issued by the manufacturer of a tractor has failed to do so and therefore must meet the demand including the demand for penalty and interest. The petitioner is called upon to respond to this issue not only for this year but also for the four preceding years *viz.,* 2017-2018 to 2020-21.

2. The petitioner has not been successful in relying upon the Clarification dated 07.03.2019 issued on the reversal of the ITC claim when there is a credit note by the manufacturer for the financial period 2017-18, and the petitioner, whose rectification application is recently rejected, will have to avail remedy as against the rejection of the rectification application in the first appeal. However, the petitioner's reliance on the very same Circular for the next two financial years 2019-20 and 2020-21 is successful as the proceedings are dropped. The petitioner has not responded either to the Intimation

in Form GST DRC-01A or to the Show Cause Notice in Form GST DRC-01.

3. The petitioner's reason for not participating in the proceedings, as set forth in the petition, is as follows.

> *"... The Petitioner being a family-run business, without a dedicated and specialised tax personnel, mistakenly believed that the said intimation and SCN pertained to the earlier periods, in respect of which the proceedings had either been dropped or necessary appeals had been filed. Accordingly, the Petitioner inadvertently failed to take any action in response thereto."*

4. Sri Madhu H.S., the learned counsel for the petitioner, relies upon these circumstances to contend that the petitioner must have another opportunity to persuade the first respondent to drop the proceedings as is done for the financial years 2019-20 and 2020-21. Ms. Jyothi M. Maradi, a

learned High Court Government Pleader, is heard on whether there must be a disposal of this petition restoring the proceedings with opportunity to the petitioner to file response to the Show Cause Notice dated 22.09.2025.

5. 4. The petitioner's *bona fides* are considered in the amalgam of the afore two sets of circumstances. If the petitioner, who did not have the assistance of dedicated or specialised tax personnel, has not participated in the proceedings under a mistaken belief that the subject Show Cause Notice relating to the tax period which is already seized of by the authorities and which now stand dropped, this Court is of the view that *bona fides* are brought out justifying an interference for restoration. In the light of afore, the following

ORDER

The petition is allowed and the Adjudication Order dated 22.12.2025 [*[Annexure-C1]* is quashed subject to the following terms.

[a] The proceedings are restored to the second respondent for due consideration subject to the petitioner depositing 10% of the tax in demand by ***30.11.2026*** subject to the outcome in the restored proceedings.

[b] The petitioner is permitted to file, along with the certified copy of this Order, the copies of the documents to show the genuineness of the transactions.

[c] The petitioner shall produce these documents by ***11.12.2026*** and the second respondent shall consider these documents and then conclude the proceedings by a reasoned order.

Sd/-
(B M SHYAM PRASAD)
JUDGE

NV