HC-KAR

CNR: KAHC010728962026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 20TH DAY OF NOVEMBER, 2026

PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

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

WRIT APPEAL NO.2405 OF 2026 (LA-RES)

BETWEEN:

1. THE SPECIAL LAND ACQUISITION OFFICER
& COMPETENT AUTHORITY,
NATIONAL HIGHWAY 275
(MYSORE-MADIKERE DIVISION),
NO.984, 1ST FLOOR,
GEETHA ROAD,
CHAMARAJPURAM,
MYSORE-570005.

2. NATIONAL HIGHWAY AUTHORITY OF INDIA
MINISTRY OF ROAD TRANSPORT
AND HIGHWAYS
GOVERNMENT OF INDIA,
REGIONAL OFFICE BESIDE
NAGASANDRA METRO STATION
BANGALORE-560073
REPRESENTED BY
PROJECT DIRECTOR- MYSURU PIU
(ERSTWHILE RAMANAGARA PIU)

3. PROJECT DIRECTOR
NATIONAL HIGHWAY AUTHORITY OF INDIA
PROJECT IMPLEMENTATION UNIT
BASAVANAPURA (RAMADEVARAPADA)
RAMANAGARA-562159
REPRESENTED BY
PROJECT DIRECTOR-

Digitally signed by
MAHALAKSHMI B M
Location: High Court
of Karnataka

CNR: KAHC010728962026

MYSURU PIU
(ERSTWHILE RAMANAGARA PIU).

…APPELLANTS

(BY SMT. SHILPA GHANSHYAMBHAI SHAH, ADVOCATE)

AND:

1. SMT. P.S. SHAMALA
W/O SATHYANARAYANA P.P.,
AGED ABOUT 70 YEARS,
11/1, 4TH BLOCK,
KUSHALNAGARA,
SOMWARPET TALUK,
KODAGU DISTRICT - 571234.

2. THE DEPUTY COMMISSIONER,
KODAGU DISTRICT,
KODAGU-571234.

…RESPONDENTS

(BY SRI. R.S. RAVI, SENIOR ADVOCATE A/W
SRI. NARENDRA GOWDA, ADVOCATE FOR C/R-1;
SRI. K.S. HARISH, GOVERNMENT ADVOCATE FOR R-2)

THIS WRIT APPEAL IS FILED UNDER SECTION 4 OF THE KARNATAKA HIGH COURT ACT PRAYING TO SET ASIDE THE IMPUGNED ORDER DATED 10TH JULY 2026 PASSED BY THE LEARNED SINGLE JUDGE IN W.P. NO.12641/2026 (LA-RES) AND 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 appellants, hereinafter collectively referred to as the National Highways Authority of India [**NHAI**], have filed the present appeal impugning the order dated 10.07.2026 [**impugned order**] passed by the learned Single Judge in W.P. No.12641/2026 (LA-RES).

2. Respondent No.1 had filed the said petition, *inter alia,* seeking a direction to the NHAI to pay an amount of ₹18,39,252/- which was deducted towards Goods and Services Tax [**GST**] from the compensation payable for the acquisition of land measuring 6.5 guntas falling in Sy. No.21/44, Basavanahalli Village, Kushalnagar Taluk, Kodagu District [**subject land**]. Additionally, respondent No.1 also prayed that interest be awarded on the amount that has been deducted towards GST from the compensation paid to respondent No.1.

3. Briefly stated, the facts necessary to address the controversy are as under:

3.1 The Central Government issued a notification dated 25.01.2022 under Section 3A(1) of the National Highways Act, 1956 [**NH Act**], declaring its intention to acquire lands, *inter alia*, situated in Basavanahalli Village, Kushalnagar Taluk, Kodagu District, for the widening and four-laning of the Mysuru–Madikeri section of National Highway-275 from Km.99.500 to Km.223.860. Thereafter, the notification containing the declaration under Section 3D(1) of the NH Act was published on 30.03.2022. The subject land, which forms part of land in Sy. No.21 of Basavanahalli Village, was included in the lands so acquired. Appellant No.1 is the competent authority appointed under Section 3(a) of the NH Act.

3.2 On 10.01.2023, Appellant No.1 passed an award determining the compensation payable for the lands acquired in Basavanahalli Village. It is stated on behalf of NHAI that compensation of ₹44,40,938.29/- was determined in respect of the land in Sy. No.21/44 and was paid to respondent No.1 on 21.08.2023.

3.3 Thereafter, Appellant No.1 passed a supplementary award dated 16.02.2023 towards left out/missing structures and trees on the lands acquired in Basavanahalli Village.

3.4 By a letter dated 02.08.2024, the Regional Office of NHAI (appellant No.2) informed the Project Director, NHAI, PIU-Ramanagara, that the competent authority had accorded approval for acceptance of the supplementary award for release of compensation towards left out/missing structures and trees in Basavanahalli Village amounting to ₹13,92,26,567/-, “after deducting the 18% GST on structure compensation”.

3.5 Pursuant thereto, appellant No.1 issued a Final Award Notice dated 06.08.2024 to respondent No.1. In terms of the said notice, the compensation for the building/other structures on the subject land was determined at ₹60,28,259/- and for the trees at ₹38,710/-. Together with solatium at 100%, the compensation was determined at ₹1,21,33,938/- (Rupees One Crore Twenty One Lakh Thirty Three Thousand Nine Hundred and Thirty Eight only). From the said amount, a sum of ₹18,39,252/- (Rupees Eighteen Lakh Thirty Nine Thousand Two Hundred and Fifty Two only) was deducted as

18% GST on the compensation for structures, as per the Regional Office's letter dated 02.08.2024, and the net amount payable to respondent No.1 was determined at ₹1,02,94,686/-. The said notice does not reflect any amount towards compensation for land.

3.6 Respondent No.1 impugned the Final Award Notice dated 06.08.2024 to the extent of deduction of 18% GST by filing W.P. No.12641/2026 (LA-RES). The respondent contended that the acquisition of her property was neither a supply of goods nor a supply of services, and therefore GST could not be deducted from the compensation payable to her.

3.7 NHAI had contended that the Central Goods and Services Tax Act 2017 and Karnataka Goods and Services Tax Act 2017 [**GST Acts**] mandate levy of GST on works contracts. Thus, the same was applied uniformly to all land losers. That while compensation for land may not attract GST, the structural component assessed under the award was liable to GST.

4. The learned Single Judge concluded that the structure standing on the land formed part of the immovable property and that its acquisition by an expropriatory measure did not entail the

levy of GST. It was noted that respondent No.1 had neither sold any goods nor provided any service and, therefore, the deduction of GST from the compensation determined for the acquisition of the immovable property (the built-up structure on the subject land) was unsustainable. Accordingly, the learned Single Judge directed that the GST deducted from the compensation be paid, together with interest at the rate of 15% per annum from the date of the award until the date of payment. The learned Single Judge also directed that the interest payable on the amount deducted as GST and be recovered personally from the Special Land Acquisition Officer and Competent Authority, National Highway-275 (appellant No.1, who was arrayed as respondent No.2 in the writ petition). Further, the learned Single Judge imposed costs of ₹50,000/- payable by appellant No.1.

5. The learned counsel appearing for the NHAI submitted that the impugned order was passed on the first day of its listing and, therefore, the NHAI had no opportunity to contest the petition. She submitted that the impugned order is violative of the principles of natural justice.

6. We find that the said contention is without merit. The impugned order indicates that the contentions were advanced by the learned counsel appearing on behalf of the NHAI before the learned Single Judge. It is averred in the memorandum of appeal that the learned Single Judge did not accept the request of the learned counsel to grant time to file the statement of objections. The impugned order does not record that any such request was made. There is no material on record to substantiate the said averment. Further, if any submission was made which was not recorded or dealt with in the impugned order, the apposite course was to file a review before the learned Single Judge.

7. It is also pointed out by the learned counsel for respondent No.1 that the writ petition in question was listed along with other petitions, in which NHAI had filed its statement of objections in the connected petition, and the same was also treated as NHAI's statement of objections in the present case. No objection to the same was raised at the material time.

8. One of the grounds urged in the present appeal is that the learned Single Judge erroneously held that the statement of

objections filed in W.P. No.26239/2025 was adopted in the aforesaid writ petition (W.P. No.12641/2026). However, there is no averment that any objection in this regard was raised by the learned counsel for the NHAI at the time of hearing. We cannot countenance the practice of filing appeals questioning the recordal of proceedings without moving an appropriate application before the learned Single Judge.

9. Having stated the above, this Court also called upon the learned counsel for NHAI to advance submissions on merits.

10. The learned counsel for NHAI states that there is no dispute that the GST is not payable on compensation for the acquisition of immovable property. She, however, states that the compensation determined under the supplementary award was based on certain valuation reports which included an element of GST. Thus, it was necessary to exclude the element of GST from the said valuation reports. She also handed over a memo enclosing two documents to substantiate her contention.

11. The first document is a letter dated 25.11.2023 sent by a registered valuer to the Project Director, NHAI-PIU, Ramanagara. The second is an e-mail dated 18.08.2026 sent by the said Valuer.

12. The first document indicates that the Valuer had estimated the replacement cost of buildings under acquisition, enclosing therewith a tabular statement setting out the estimates of various structures classified into six categories. The said valuation report does not indicate that the Valuer had included any element of GST.

13. The second document contains a chain of e-mails. The first is an dated 18.08.2026, apparently sent by the Valuer, stating that GST had been included in the rates adopted to arrive at the amount of compensation. In response to the said e-mail, NHAI sent an e-mail dated 21.08.2026 stating that the valuation abstracts for the various types of structures did not match with the rates indicated in the type estimates vetted by the Public Works Department. NHAI further requested the Valuer to furnish a detailed break-up/calculations supporting the rates adopted for the different types of structures. In response to the said e-mail, the Valuer sent another e-mail dated 25.08.2026 setting out the break-

up of the valuation, which, however, does not refer to any element of GST.

14. It is not clear from the aforesaid correspondence that the compensation determined for the structures included any element of GST. The said documents also do not establish the rate at which GST, if any, was included in the compensation amount as determined.

15. The supplementary award dated 16.02.2023 is not on record. However, the learned counsel for NHAI states that the same mentions the amount of compensation and it is not discernible from the award that the compensation includes GST.

16. Concededly, the supplementary award does not indicate that the compensation determined is inclusive of GST. It merely mentions the compensation awarded for the immovable property acquired. Plainly, it is not open for NHAI to review the award to exclude any component of valuation that is assumed to have been included while determining the compensation. Once the compensation has been determined, NHAI would be liable to pay

the compensation as determined and reflected in the award, without making any deductions.

17. Section 3G of the NH Act is set out below:

> "**3G. Determination of amount payable as compensation.—**
>
> (1) Where any land is acquired under this Act, there shall be paid an amount which shall be determined by an order of the competent authority.
>
> (2) Where the right of user or any right in the nature of an easement on, any land is acquired under this Act, there shall be paid an amount to the owner and any other person whose right of enjoyment in that land has been affected in any manner whatsoever by reason of such acquisition an amount calculated at ten per cent. of the amount determined under sub-section (1), for that land.
>
> (3) Before proceeding to determine the amount under sub-section (1) or sub-section (2), the competent authority shall give a public notice published in two local newspapers, one of which will be in a vernacular language inviting claims from all persons interested in the land to be acquired.
>
> (4) Such notice shall state the particulars of the land and shall require all persons interested in such land to appear in person or by an agent or by a legal practitioner referred to in sub-section (2) of section 3C, before the competent authority, at a time and place and to state the nature of their respective interest in such land.
>
> (5) If the amount determined by the competent authority under sub-section (1) or sub-section (2) is not acceptable to either of the parties, the amount shall, on an application by either of the parties, be determined by the arbitrator to be appointed by the Central Government.

(6) Subject to the provisions of this Act, the provisions of the Arbitration and Conciliation Act, 1996 (26 of 1996) shall apply to every arbitration under this Act.

(7) The competent authority or the arbitrator while determining the amount under sub-section (1) or sub-section (5), as the case may be, shall take into consideration—

(a) the market value of the land on the date of publication of the notification under section 3A;

(b) the damage, if any, sustained by the person interested at the time of taking possession of the land, by reason of the severing of such land from other land;

(c) the damage, if any, sustained by the person interested at the time of taking possession of the land, by reason of the acquisition injuriously affecting his other immovable property in any manner, or his earnings;

(d) if, in consequences of the acquisition of the land, the person interested is compelled to change his residence or place of business, the reasonable expenses, if any, incidental to such change."

18. Under Sub-section (1) of Section 3G of the NH Act, the Competent Authority is required to determine the amount after giving a public notice inviting claims and affording the concerned parties an opportunity to appear before him. In the present case, the Competent Authority had determined the amount by passing the supplementary award dated 16.02.2023.

19. In the event NHAI was of the view that the compensation determined was erroneous and did not reflect the value of the structures acquired, it was open for NHAI to make an application under Sub-section (5) of Section 3G. It is clearly not open for NHAI to deduct or demand deduction of any amount purportedly on account of GST while disbursing the compensation. It was equally impermissible for the Competent Authority to deduct any amount from compensation as determined under the award more than a year and a half after the compensation was determined.

20. In view of the above, we find no grounds to interfere with the impugned order, save to the extent indicated hereinafter.

21. The learned counsel for NHAI requested that the direction to recover the interest from appellant No.1 personally and to pay costs of ₹50,000/- be modified, as appellant No.1 had not acted on its own but had acted on the instructions of the senior officials of NHAI.

22. We accept the aforesaid contention and accordingly modify the impugned order to the extent that the interest and costs shall

be borne by appellant No.2 (National Highways Authority of India) and shall not be recovered from appellant No.1 personally.

23. The appeal is accordingly disposed of in the aforesaid terms, with costs quantified at ₹10,000/- payable by appellant no. 2 (NHAI) to respondent No.1.

24. The pending interlocutory applications also stand disposed of.

Sd/-
(VIBHU BAKHRU)
CHIEF JUSTICE

Sd/-
(K.S. HEMALEKHA)
JUDGE

MBM
List No.: 2 Sl No.: 8