HC-KAR

NC: 2026:KHC:10342-DB
WA No. 1232 of 2025
C/W WA No. 1212 of 2025
WA No. 1229 of 2025

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 19TH DAY OF FEBRUARY, 2026

PRESENT

THE HON'BLE MR. JUSTICE S.G.PANDIT

AND

THE HON'BLE MR. JUSTICE K. V. ARAVIND

WRIT APPEAL No. 1232 OF 2025 (T-RES)

C/W

WRIT APPEAL No. 1212 OF 2025 (T-RES)

WRIT APPEAL No. 1229 OF 2025 (T-RES)

IN WA No. 1232/2025

BETWEEN:

1. COMMERCIAL TAX OFFICER
   ENFORCEMENT, MADIKEREI,
   UGAPPA COMPLEX, KOHINOOR ROAD,
   MADIKERI-571201.

2. JOINT COMMISSIONER OF COMMERCIAL
   TAXES (ENFORCEMENT), MYSORE,
   MYSURU ZONE, SESADRI BHAVAN,
   DIWAN ROAD, MYSORE-570024.

3. JOINT COMMISSIONER OF COMMERCIAL
   TAXES (APPEALS), MYSORE,
   MYSURU ZONE, SESADRI BHAVAN,
   DIWAN ROAD,
   MYSORE-570024

...APPELLANTS

(BY SRI ADITYA VIKRAM BHAT, AGA)

<u>AND:</u>

1. M/S AAIZ STEEL,
A PROPRIETARY CONCERN,
REPRESENTED BY ITS SOLE PROPRIETOR,
SRI MOHAMMED VASIF,
AGED 32 YEARS,
S/O MUMTAZ PASHA,
HAVING OFFICE AT No.09,
GROUND FLOOR, SHOP No.4,
P AND T LAYOUT, 2^{ND} STAGE,
2^{ND} PHASE, RAJEEV NAGAR,
MYSORE-570019.

2. POLICE INSPECTOR,
RURAL POLICE STATION,
HUNASURU, OLD B. M. ROAD,
THALASEERY-MYSORE ROAD,
HUNSUR, KARNATAKA-571105

3. UNION OF INDIA,
REPRESENTED HEREIN BY THE SECRETARY,
DEPARTMENT OF REVENUE,
MINISTRY OF FINANCE,
NORTH BLOCK,
NEW DELHI-110001

...RESPONDENTS

(BY SRI SHREEHARI KUTSA, ADVOCATE FOR R1;
VIDE ORDER DATED 19.11.2025 NOTICE TO
R2 IS DISPENSED WITH
SRI MADANAN R PILLAI, CGC FOR R3)

THIS WRIT APPEAL IS FILED UNDER SECTION 4 OF THE KARNATAKA HIGH COURT ACT PRAYING TO SET ASIDE THE ORDER DATED 03/04/2025 PASSED BY THE LEARNED SINGLE JUDGE, HIGH COURT OF KARNATAKA, BENGALURU IN WP No.9295/2025.

IN WA No. 1212/2025

BETWEEN:

1. ASSISTANT COMMISSIONER OF COMMERCIAL TAXES (ENFORCEMENT) 1, MYSURU,
No.487, BIDRAM KRISHNAPPA ROAD,
DEVARAJA MOHALLA,
MYSURU 570001.

2. COMMERCIAL TAX OFFICER
ENFORCEMENT, MADIKEREI,
MADIKERI-571201.

2. JOINT COMMISSIONER OF COMMERCIAL TAXES (ENFORCEMENT), MYSORE,
MYSURU ZONE, SESADRI BHAVAN,
DIWAN ROAD, MYSORE-570024.

3. JOINT COMMISSIONER OF COMMERCIAL TAXES (APPEALS), MYSORE,
SESADRI BHAVAN, DIWAN ROAD,
MYSORE-570024.

...APPELLANTS

(BY SRI ADITYA VIKRAM BHAT, AGA)

AND:

1. M/S AAIZ STEEL,
A PROPRIETARY CONCERN HEREIN,
REPRESENTED BY ITS SOLE PROPRIETOR,
SRI MOHAMMED WASIF,
AGED 32 YEARS,
S/O MUMTAZ PASHA,

HAVING OFFICE AT No.09,
GROUND FLOOR, SHOP No.4,
P AND T LAYOUT, 2^{ND} STAGE,
2^{ND} PHASE, RAJEEV NAGAR,
MYSORE-570019.

2. POLICE INSPECTOR,
   RURAL POLICE STATION,
   HUNASURU, OLD B. M. ROAD,
   THALASEERY-MYSORE ROAD,
   HUNSUR, KARNATAKA-571105

3. UNION OF INDIA,
   REPRESENTED HEREIN BY
   THE SECRETARY,
   DEPARTMENT OF REVENUE,
   MINISTRY OF FINANCE,
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IN WA No. 1229/2025

BETWEEN:

1. COMMERCIAL TAX OFFICER
   ENFORCEMENT, MADIKEREI,
   UGAPPA COMPLEX, KOHINOOR ROAD,
   MADIKERI-571201.

2. JOINT COMMISSIONER OF COMMERCIAL
   TAXES (ENFORCEMENT), MYSORE,
   MYSURU ZONE, SESADRI BHAVAN,
   DIWAN ROAD, MYSORE-570024.

3. JOINT COMMISSIONER OF COMMERCIAL
   TAXES (APPEALS), MYSORE,

MYSURU ZONE, SESADRI BHAVAN,
DIWAN ROAD, MYSORE-570024

...APPELLANTS

(BY SRI ADITYA VIKRAM BHAT, AGA)

AND:

1. M/S AAIZ STEEL,
A PROPRIETARY CONCERN,
REPRESENTED BY ITS SOLE PROPRIETOR,
SRI MOHAMMED VASIF,
AGED 32 YEARS,
S/O MUMTAZ PASHA,
HAVING OFFICE AT No.09,
GROUND FLOOR, SHOP No.4,
P AND T LAYOUT, 2^{ND} STAGE,
2^{ND} PHASE, RAJEEV NAGAR,
MYSORE-570019.

2. POLICE INSPECTOR,
RURAL POLICE STATION,
HUNASURU, OLD B. M. ROAD,
THALASSERY-MYSORE ROAD,
HUNSUR, KARNATAKA-571105.

3. UNION OF INDIA,
REPRESENTED HEREIN BY THE SECRETARY,
DEPARTMENT OF REVENUE,
MINISTRY OF FINANCE, NORTH BLOCK,
NEW DELHI-110001

...RESPONDENTS

(BY SRI SHREEHARI KUTSA, ADVOCATE FOR R1;
VIDE ORDER DATED 19.11.2025 NOTICE TO
R2 IS DISPENSED WITH
SRI MADANAN R PILLAI, CGC FOR R3)

THIS WRIT APPEAL IS FILED UNDER SECTION 4 OF THE KARNATAKA HIGH COURT ACT PRAYING TO SET ASIDE THE ORDER DATED 03/04/2025 PASSED BY THE LEARNED SINGLE JUDGE, HIGH COURT OF KARNATAKA, BENGALURU IN WP No.9283/2025.

THESE APPEALS COMING ON FOR PRELIMINARY HEARING THIS DAY, JUDGMENT WAS DELIVERED THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE S.G.PANDIT
and
HON'BLE MR. JUSTICE K. V. ARAVIND

ORAL JUDGMENT

(PER: HON'BLE MR. JUSTICE K. V. ARAVIND)

Heard Sri Aditya Vikram Bhat, learned Additional Government Advocate for the appellants-Revenue and Sri Shreehari Kutsa, learned counsel for respondent No.1.

Sri Madanan R. Pillai, learned Central Government Counsel for respondent No.3 in W.A.No.1232/2025 and W.A.No.1229/2025; Sri V. Shivareddy, learned Additional Government Advocate for respondent No.2 in W.A.No.1212/2025 and W.A.No.1229/2025; and Sri Poojappa, learned Central Government Counsel for respondent No.3 in W.A.No.1212/2025.

2. These appeals are filed by the Revenue under Section 4 of the Karnataka High Court Act, assailing the order dated 03.04.2025 passed by the learned Single Judge in Writ Petition No.9295/2025.

2.1 Since the issues involved in these appeals are identical and common submissions have been advanced by the learned counsel appearing for the parties, the appeals are disposed of by this common order.

2.2 For the sake of convenience, the facts in Writ Appeal No.1232/2025 are referred.

3. The goods and conveyance belonging to the respondent were intercepted on 23.11.2024. Upon physical verification of the vehicle and the goods, a notice under Section 68(3) of the Central Goods and Services Tax Act, 2017 (for short, "the Act") was issued.

3.1 By letter dated 25.11.2024, the respondent admitted that the goods were being transported without any valid documents. Consequently, proceedings under Section 129 of the Act were initiated. On 04.12.2024, the value of the goods was determined through an independent valuer. On the same day, an order of detention of the goods and the vehicle was passed under Section 129(1) of the Act. The valuation made by the independent valuer assessed the goods at

Rs.45,29,765/-. Subsequently, on 16.12.2024, proceedings under Section 130 of the Act were initiated by issuance of notice.

3.2 The respondent submitted a reply to the notice on 23.12.2024. Thereafter, on 10.01.2025, an order of confiscation of the goods and the impugned vehicle was passed under Section 130 of the Act. The said order of confiscation is amenable to a statutory appeal under Section 107 of the Act.

3.3 Respondent No.1, however, filed a writ petition before this Court challenging the order of detention passed under Section 129 of the Act and seeking a further direction for release of the goods. The learned Single Judge, by the impugned order, directed release of the goods and the vehicle, subject to deposit of 25% of the value of the goods and furnishing of a Bank Guarantee for the remaining 75%, quantified at Rs.7,53,263/-. The said order is assailed in these appeals.

4. Sri Aditya Vikram Bhat, learned Additional Government Advocate appearing for the appellants–Revenue,

submits that an order under Section 129 of the Act was initially passed detaining the goods and the vehicle in question. Subsequently, the said proceedings culminated in an order of confiscation under Section 130 of the Act.

4.1 It is contended that in view of sub-section (5) of Section 130, upon confiscation, the title to the goods and the conveyance vests in the Government. Therefore, once an order of confiscation is passed and the title stands vested in the Government, the earlier order under Section 129 merges with the order passed under Section 130 of the Act.

4.2 Learned AGA submits that the respondent has rightly availed the statutory remedy by filing an appeal under Section 107 of the Act. It is further submitted that Section 107 provides for an interim arrangement under sub-section (6), subject to payment of a prescribed percentage of tax and fine. According to the learned AGA, in order to avoid compliance with sub-section (6) of Section 107, the respondent has filed the writ petition challenging only the order under Section 129 of the Act, without assailing the order of confiscation passed under Section 130 of the Act.

4.3 Learned Additional Government Advocate further submits that if the respondent deposits 10% of the tax levied and pays the entire fine amount as computed under sub-section (2) of Section 130 of the Act, the appellate authority is empowered to order release of the goods. It is contended that the fine contemplated under sub-section (2) of Section 130 is in lieu of confiscation and, therefore, such fine ought to correspond to the value of the confiscated goods.

4.4 Learned AGA further submits that there is a substantial discrepancy between the valuation declared by the respondent and the valuation determined by the independent valuer appointed by the Revenue. It is his submission that the percentage of tax directed to be deposited and the Bank Guarantee ordered to be furnished under the impugned order are computed on the basis of the value declared by the respondent, which, according to the Revenue, does not reflect the correct value of the goods.

5. Sri Shreehari Kutsa, learned counsel appearing for respondent No.1, submits that the order passed under Section 129 of the Act constitutes an independent cause of action and,

therefore, the writ petition was rightly instituted. However, learned counsel further submits that sub-section (6) of Section 107 of the Act requires proper interpretation. According to him, the statutory requirement is to deposit 10% of the tax in dispute as well as 10% of the fine. He submits that, in terms of sub-section (6) of Section 107, the respondent is ready and willing to deposit 10% of the tax in dispute and 10% of the fine as computed under sub-section (2) of Section 130 of the Act.

5.1 Learned counsel contends that if the respondent is directed to pay a fine equivalent to 100% of the value of the confiscated goods, it would cause irreparable hardship and render the statutory remedy of appeal illusory and ineffective.

6. We have considered the submissions of learned counsel for the parties and perused the appeal papers.

7. The interception of the goods and the vehicle, as well as the order of detention passed under Section 129 of the Act, are not in dispute. The respondent has not raised any grievance with regard to violation of procedural requirements in affording an opportunity to file a reply to the proposed action

under Sections 129 or 130 of the Act. Learned counsel for the respondent also does not dispute that an order under Section 130 of the Act has been passed and that the respondent has invoked the appellate remedy under Section 107 of the Act.

7.1 The only question that arises for consideration in these writ appeals is whether, after issuance of an order under Section 130 of the Act, thereby vesting title to the goods and the conveyance in the State Government, it is permissible to challenge only the order passed under Section 129 of the Act in a writ petition, and whether the learned Single Judge was justified in directing release of the detained and confiscated goods subject to payment of a specified percentage of the value of the goods.

7.2 Our answer to the above issues is in the 'negative' for the reasons below.

7.3 Section 129 of the Act empowers the concerned authorities to detain, seize and release goods and conveyances in transit. The provision enables the proper officer to issue a notice specifying the penalty payable and to pass an order for payment of such penalty. Section 129 also contemplates affording an opportunity to the assessee before passing any order. Sub-section (6) provides for release of the conveyance upon payment by the transporter of the penalty quantified under sub-section (3). Sub-section (5) stipulates that upon payment of the amounts specified under sub-section (3), the proceedings in respect of such detention or seizure shall stand concluded.

7.4 Section 130, on the other hand, empowers the proper officer to order confiscation of goods or conveyance and to levy penalty. Once an order of confiscation is passed under Section 130(1), in terms of sub-section (5), the title to the goods and the conveyance shall vest in the Government.

7.5 On a conjoint reading of Sections 129 and 130 of the Act, it is evident that once an order under Section 130 is passed and the title to the goods and the conveyance vests in the Government, the mechanism contemplated under Section 129 ceases to be available. Thereafter, the adjudication with regard to confiscation, valuation, and determination of tax, penalty, interest and fine is governed exclusively by the provisions of Section 130 of the Act.

7.6 In that view of the matter, as on the date of the order passed by the learned Single Judge, an order under Section 130 of the Act had already been made and the goods had vested in the Government. In such circumstances, the learned Single Judge was not justified in entertaining the writ petition challenging the order passed under Section 129 of the Act and in directing release of the goods upon payment of a specified percentage of the amount.

7.7 The order passed by the learned Single Judge has the effect of modifying the order whereby title to the goods and the conveyance stood vested in the Government. In the absence of any challenge to the order passed under Section 130 of the Act, we are of the considered view that the direction for release of the goods and the conveyance issued by the learned Single Judge is unsustainable in law.

8. In the light of the above, the writ **appeals are* ***allowed***.

* Corrected vide Court Order dated 27.03.2026.

The order of the learned Single Judge dated 03.04.2025 in Writ Petition No.9295/2025, **WP No.9241/2025 and WP No.9283/2025* is set aside.

Liberty is reserved to the respondent to file an appropriate application in terms of sub-section (6) of Section 107 of the Act before the competent appellate authority.

We make it clear that, for the purpose of sub-section (6) of Section 107 of the Act, the requirement of pre-deposit shall be 100% of the fine as quantified under sub-section (2) of Section 130 and 10% of the tax as determined.

The respondent is at liberty to avail any other remedies available.

All other contentions of the parties are kept open.

Sd/-
(S.G.PANDIT)
JUDGE

Sd/-
(K. V. ARAVIND)
JUDGE

DDU/List No.: 1 Sl No.: 23

* Corrected vide Court Order dated 27.03.2026.