



IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 27TH DAY OF NOVEMBER, 2025

BEFORE

THE HON'BLE MR. JUSTICE S.R.KRISHNA KUMAR

WRIT PETITION NO.6126 OF 2024 (T-RES)

BETWEEN:

M/S. TOYOTA KIRLOSKAR MOTOR PVT. LTD.,
PLOT NO.1, BIDADI INDUSTRIAL AREA,
BIDADI INDUSTRIAL AREA, BIDADI,
RAMANAGARA – 562 109,
(REPRESENTED BY
SHRI. VEERESH PRASAD M.S.,
GENERAL MANAGER,
INDIRECT TAXATION AND IMPEX DIVISION)
(INCORPORATED UNDER THE COMPANIES ACT,1956)
...PETITIONER
(BY SRI. RAVI RAGHAVAN, SRI. ROHAN KARIA AND
SRI. NISCHAL K.M., ADVOCATES)

AND:

1. UNION OF INDIA
REPRESENTED BY ITS UNDER SECRETARY,
MINISTRY OF FINANCE,
DEPARTMENT OF REVENUE,
NORTH BLOCK,
NEW DELHI – 110 001.
2. COMMISSIONER OF CENTRAL TAX
BENGALURU WEST COMMISSIONERATE,
1ST FLOOR, BMTc BUILDING, BANASHANKARI,
BENGALURU – 560 070.
3. JOINT COMMISSIONER OF CENTRAL TAX
BENGALURU WEST COMMISSIONERATE,
1ST FLOOR, BMTc BUILDING, BANASHANKARI,
BENGALURU – 560 070.
...RESPONDENTS
(BY SRI. GOWTHAMDEV C. ULLAL, CGC/ADV. FOR R1;
SRI. JEEVAN J. NEERALGI, ADVOCATE FOR R2 & R3)





THIS W.P. IS FILED UNDER ARTICLE 226 OF THE CONSTITUTION OF INDIA PRAYING TO QUASH THE IMPUGNED SHOW CAUSE NOTICE NO.29/2023-24 JC DATED 30.12.2023 BEARING DIN 20231257YU00003353FE AND THE FORM GST DRC-01 DTD. 03.01.2014 (SUMMARY OF THE SHOW CAUSE NOTICE) BEARING REFERENCE NO.DRC01_295584 ENCLOSED AT ANNEX-A DEMANDING CGST, KGST AND COMPENSATION CESS ALONG WITH INTEREST AND PENALTY AND ETC.

THIS PETITION, COMING ON FOR *ORDERS*, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE S.R.KRISHNA KUMAR

ORAL ORDER

In this petition, petitioner seeks the following reliefs:-

- "a) Issue a writ of certiorari or a writ in the nature of certiorari or any other appropriate writ or order or direction under Article 226 of the Constitution of India quashing the impugned Show Cause Notice No.29/2023-24 JC dated 30.12.2023 bearing DIN 20231257YU00003353FE and the FORM GST DRC-01 dated 03.01.2024 (Summary of the Show Cause Notice) bearing Reference No.DRC01_295584 enclosed at Annexure-A demanding CGST, KGST and Compensation Cess along with interest and penalty;*
- b) Hold that the petitioner is not liable to pay any CGST or KGST or IGST or Compensation Cess as proposed in the impugned show cause notice for the period 2018-2021;*



- c) *pass such further order(s) and other reliefs as the nature and circumstances of the case may require.”*

2. Heard learned counsel for the petitioner and learned CGC for respondent No.1 and learned counsel for respondent Nos.2 and 3 and perused the material on record.

3. In addition to reiterating the various contentions urged in the petition and referring to the material on record, learned counsel for the petitioner invited my attention to the impugned Show Cause Notice in order to point out that based on the audit observations, the following issues were flagged by the respondents, who issued the impugned Show Cause Notice making demands as hereunder

<i>Particulars of the issues / Audit Observation</i>	<i>Period involved</i>	<i>Demand as proposed (INR)</i>	<i>Total (INR)</i>
<i>OBS 1090810 – Place of Supply in respect of inter-state supply of goods</i>	<i>April 2018 to March 2021</i>	<i>22,28,11,69,732/- (CGST) + 22,28,11,69,732/- (KGST)</i>	<i>4,456,23,39,464/-</i>
<i>OBS 1073507 – Liability to discharge GST under reverse charge mechanism on services availed from GTA</i>	<i>April 2018 to March 2021</i>	<i>11,72,29,377/- (CGST) + 11,72,29,377/- (KGST)</i>	<i>23,44,53,753/-</i>



Particulars of the issues / Audit Observation	Period involved	Demand as proposed (INR)	Total (INR)
OBS 1076323 – Misclassification of parts and components of motor vehicles	April 2018 to March 2021	1,30,57,402/- (CGST) + 1,30,57,402/- (KGST) + 5,96,82,213/- (IGST)	8,57,97,017/-
OBS 1090937 – Liability to pay Compensation Cess on sale of “Toyota Corolla (Petrol) Altis”	April 2018 to March 2020	8,46,46,099/- (Compensation Cess)	8,46,46,099/-
OBS 1072571 – Liability to discharge GST on canteen related supplies	April 2018 to March 2021	2,95,36,148/- (CGST) + 2,95,36,148/- (KGST)	5,90,72,296/-
OBS 1146529 – ITC availed on warranty services provided by Dealers until the period 01.02.2019	April 2018 to Feb 2019	29,27,063/- (CGST) + 29,27,063/- (KGST) + 4,22,65,478/- (IGST)	4,81,19,604/-
TOTAL			4,507,44,28,233/-

4. It is submitted that that insofar as five issues other than issue No.1 – OBS 1090810 is concerned, the petitioner may be



relegated back to the respondent by permitting it to file reply to the Show Cause Notice and the respondent may be directed to proceed further, in accordance with law. It is however submitted that insofar as issue No.1 i.e., OBS 1090810 relating to place of supply in respect of Interstate supply of goods are concerned, the respondent has come to the incorrect conclusion that despite the petitioner having already paid the entire IGST in terms of Section 10(1)(a) of the IGST, petitioner would once again be liable to pay CGST and KGST in relation to the very same amount which is contrary to the material on record and the impugned Show Cause Notice in relation to the aforesaid issue No.1 pertaining to OBS 1090810 deserves to be quashed.

5. Per contra, learned counsel for the respondents submits that the impugned Show Cause Notice calling upon the petitioner to pay CGST and SGST by placing reliance upon the terms and conditions in the Sample Dealership Agreement entered into between the petitioner and the dealer is correct and proper and the same does not warrant interference by this Court in the present petition.



6. Before advertng to the rivals submissions, it would be necessary to extract Section 10(1)(a) of the IGST Act, which reads as under:

“Section 10. – Place of supply of goods other than supply of goods imported into, or exported from India. – (1) The place of supply of goods, other than supply of goods imported into, or exported from India, shall be as under:

(a) where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.”

7. A perusal of the impugned Show Cause Notice at para 3.3 in relation to issue No.1 pertaining to OBS 1090810 will indicate that the respondent has placed reliance upon the Sample Dealership Agreement and the Tax Invoices in order to come to the conclusion that the petitioner had lost title over the goods in question upon handing over the goods to the common carrier and consequently, the petitioner was not was not liable to pay IGST and in the event he has paid the same on erroneous premise, the petitioner would have to pay necessary KGST & CGST and take recourse to such remedies for seeking refund of IGST so erroneously paid by them. However, learned counsel for the



respondents fairly submits that insofar as the remaining five issues are concerned, the petitioner may be directed to submit reply and respondents shall consider the same and proceed further in accordance with law.

8. While referring to issue No.1 i.e., OBS 1090810, the respondent No.3 has arrived at the following conclusion :

“According to Section 10(1) of the IGST Act, the place of supply of goods where the supply involves movement of goods, whether by the supplier or recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for the delivery to the recipient. According to Sale of Goods Act 1930, “delivery” means voluntary transfer of possession from one person to another and goods are said to be in a “deliverable state” when they are in such state that the buyer would under the contract be bound to take delivery of them. According to Section 19 of Sale of Goods Act 1930, Where there is a contract for the sale of specific or ascertained goods the property in them is transferred to the buyer at such time as the parts to the contract intend it to be transferred. For the purpose of ascertaining the intention of the parts regard shall be had to the terms of the contract, the conduct of the parts and the circumstances of the case. According to Section 23 of the Sale of Goods Act, where, in pursuance of the contract, the seller delivers the goods to the buyer or to a carrier or other



bailee (whether named by the buyer or not) for the purpose of transmission to the buyer, and does not reserve the right of disposal, he is deemed to have unconditionally appropriated the goods to the contract.

During the Audit of the taxpayer Toyota Kirloskar Motor Private Limited (29AAACT5415B1ZO), it has been observed by the auditors that the taxpayer has been paying IGST on the supply of motor products to the dealers who are registered in different states. However on examination of the terms & conditions attached to the tax invoices, Serial No. 5 of the terms and conditions states that in absence of the agreement to contrary, the title and risk in goods passes from TKML to the Dealer/Customer as sold from factory of TKML/invoiced to the customer and puts on common carrier for dispatch from TKM works at Bidadi. According to Serial No. 13 of the terms and conditions, for all purposes, the sale proceedings are to be considered as concluded at Bidadi in Karnataka. Further, according to the sample Dealership agreement provided by the taxpayer, the delivery of products from the Company to the Dealer is deemed to be completed once the Products are put on to the common carrier at Company's Works at Bidadi Industrial Area or from its Regional Parts depots, as may be applicable. It is also stated that the Company will make its best efforts to supply the Products as per the Purchase orders and the delivery requirements of the dealer, but the Company shall not be responsible for the failure, delay or error in delivery of the Products and any consequential loss to the dealer arising therefrom. These clauses effectively establish the transfer of



goods at the factory of the taxpayer since the title to the goods is considered to be transferred and any further risk of the consequential loss is to be borne by the Dealer. Thus the Delivery as per Sale of Goods Act should be deemed to have happened at the factory premises. This "Delivery" definition read with Section 10(1) of the IGST Act, establishes the Place of Supply of Goods at the location of the taxpayer where the movement of goods terminates for delivery to the recipient. Since the taxpayer has applied the wrong Place to Supply, thereby paying IGST instead of CGST and SGST, the payment of IGST done by the taxpayer amounts to Rs.44,56,23,39,464/- as compiled in "Annexure A" commensurate payment of CGST and SGST amounting to Rs. 22,28,11,69,732/- and Rs.22,28,11,69,732/- respectively is to be demanded along with interest under Section 73 of CGST Act 2017. The detailed worksheet is enclosed as Annexure A."

9. A plain reading of Section 10(1)(a) of the IGST Act will indicate that *"where supply of goods supply (of goods) involves movement of goods whether by the supplier or by the recipient or by any other person (common carrier), the place of supply of goods shall be the location of the goods at the time at which the movement of the goods terminates for delivery the recipient"*. It follows therefrom that the movement of the goods terminates for the purpose of handing over delivery to the recipient and to enable



the recipient to take delivery of the goods not when the goods are handed over to the 'common carrier' but only when the goods reach the destination for the purpose of enabling the recipient to obtain / take delivery as is clear from the aforesaid provision.

10. In the instant case, notwithstanding the fact that the petitioner had not handed over the goods to the common carrier for the purpose of delivery to the ultimate destination, the liability to pay IGST under Section 10(1)(a) would arise only upon the movement of the goods terminating for delivery to the recipient at various places outside Karnataka. Undisputedly the supply of goods is *inter-State* supply and not *intra-State* supply so as to attract CGST or KGST as contented by the respondents.

11. Under these circumstances, I am of the considered opinion that the impugned Show Cause Notice calling upon the petitioner to pay CGST / KGST on the aforesaid supply of goods is clearly erroneous, arbitrary and contrary to Section 10(1)(a) of the IGST Act and the same deserves to be quashed.

12. Insofar as the allegations made in the impugned Show Cause Notice as contended by the learned counsel for the



respondents that in terms of the provisions contained in the Sale of Goods Act coupled with the Sample Dealership Agreement and the invoice, title of the goods passes on to the recipient immediately upon handing over the goods to the common carrier / transporters is concerned, as stated supra, the place of supply of goods would have to be determined by reckoning / considering the place where the movements of goods terminates for delivery to the recipient and not at the place where the movement of goods originates and the goods are handed over to the common carrier especially in the light of the undisputed fact that the ultimate destination where the movement of goods terminates for delivery to the recipient is outside Karnataka.

13. Under these circumstances, the said contention urged on behalf of the respondents as indicated in the impugned Show Cause Notice cannot be countenanced. It is also pertinent to note that there is no nexus or connection whatsoever between passing of title of goods from the petitioner to the respondents by virtue of the terms and conditions of the Sample Dealership Agreement, invoice and the Sale of Goods Act and the liability to pay IGST in terms of Section 10(1)(a) of the IGST Act, which specifically



contemplates that the place of supply of goods would be the place of the recipient when movement of goods terminates for delivery to the recipient. It is also relevant to state that the material on record undisputedly discloses that the petitioner has already paid IGST not only for the goods but also for the freight charges and any additional amount sought to be demanded from the petitioner would amount to double taxation and in the facts and circumstances of the instant case, non-payment of KGST or CGST would lead to revenue neutral situation, which would not cause any prejudice or hardship to the respondents and the impugned Show Cause Notice insofar as it relates to issue No.1 relating to OBS 1090810 deserves to be quashed on this ground also.

14. In the result, I pass the following:

ORDER

- (i) The petition is hereby ***allowed-in-part.***
- (ii) The impugned Show Cause Notice insofar as it relates to the demand made in paragraph 3.3 i.e., OBS 1090810 is hereby quashed.
- (iii) Petitioner is relegated to the stage of filing reply to the remaining issues in the impugned Show



Cause Notice except issue No.1 relating to OBS 1090810, which stands quashed by this order.

(iv) Immediately upon petitioner filing its reply / documents, etc., to the impugned Show Cause Notice in relation to all issues other than OBS 1090810, the respondents shall consider the same and provide sufficient and reasonable opportunity to the petitioner and grant opportunity of personal hearing and thereafter proceed further in accordance with law.

(v) To enable the petitioner to effectively participate in the proceedings, respondents are directed to furnish all relevant documents to the petitioner during the course of the proceedings.

(vi) Petitioner is granted eight weeks time to file reply to the aforesaid issues excluding issue No.1 pertaining to OBS 1090810, which stands answered in favour of the petitioner under this order.

**Sd/-
(S.R.KRISHNA KUMAR)
JUDGE**