

JUDGEMENT

**No GST on Compensation for
Compulsory Acquisition of Land
and Structures**

In Case Of
Smt. P.S. Shamala

Issued By
Karnataka High Court

Order Date
10th July 2026

Order No
W.P. No. 12641 of 2026

OBSERVATIONS

- The petitioner's land and structure were compulsorily acquired for widening the **Mysuru–Madikeri Highway**, and compensation of ₹1.21 crore was determined.
- Out of the compensation payable, **the authorities deducted ₹18.39 lakh towards 18% GST**. The petitioner challenged the deduction, contending that **compulsory acquisition of property does not constitute supply of goods or services under GST law**.
- The respondents argued that while compensation attributable to land may not attract GST, the **structural component of the award was liable to GST as works contract/structure valuation**.
- The Court examined the nature of compulsory acquisition and noted that **buildings attached to land form part of immovable property**.

JUDGEMENT

- The Karnataka High Court held that **GST is a tax on the supply of goods or services, whereas compulsory acquisition is an expropriation of property by the State** in exercise of statutory power.
- The **landowner neither sells goods nor provides any service while surrendering property pursuant to compulsory acquisition**. Therefore, even on a broad interpretation, such acquisition cannot be regarded as a “supply of goods or services”.
- The Court also rejected the distinction sought to be made for the structure component, observing that the **respondents failed to identify any provision under the GST law under which acquisition of land or structure becomes a taxable supply**.
- Accordingly, the **GST deduction was quashed and the authority was directed to refund ₹18.39 lakh** with interest at 15% per annum from the date of the award until payment.

TAKEAWAYS

- Immovable property cannot be construed as Goods nor that results into supply of goods or services. **Even with wide latitude, term “supply of goods or services” does not include the acquisition or expropriation of property by State.**
- For landowners and infrastructure authorities, the judgment is significant **where compensation awards include separate valuation for land, buildings or other structures - such valuation by itself does not create a taxable supply.**
- The strong relief granted, including 15% interest and costs, also **highlights the importance of establishing clear statutory authority before deducting GST from compulsory acquisition compensation.**



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