Sri Kudlur Ramaswamy Sathyanarayana v. Assistant Commissioner of Income Tax, Central Circle, Mysuru

Income Tax Appeal No. 54 of 2025

ITA No. 54 of 2025 (CAV Judgment, Karnataka HC, decided 2026-06-18) | 2026-06-18

Rs.1.5 crore convention-hall investment addition sustained: return filing was not a retraction and the later explanation lacked persuasive support.

Income-tax Act,1961: sections 69, 132(4), 153A, 260A

High Court of Karnataka | 2-judge bench (Division Bench, Bengaluru) | Justice S.G. Pandit | Justice Rajesh Rai K

Assessment years: 2014-15

01 FACTS OF THE CASE

Kudlur Ramaswamy Sathyanarayana challenged the ITAT order dated 29 November 2024 in ITA 1130/Bang/2024 for AY 2014-15. Following the search on 4 February 2015, the AO added Rs.1.5 crore under section 69 for investment in a convention hall. The CIT(A) deleted that addition on 31 January 2024, accepting an asserted retraction/explanation; the Tribunal restored it. The assessee contended that investment belonged to the partnership firm.

Source: PDF pp.2–7, paras 1–7

02 DISCUSSION BY THE HON'BLE COURT

The Court examined the section 132(4) answers expressly offering Rs.1.5 crore in the assessee's individual capacity. Filing a return on 31 March 2015 did not itself retract that statement. The later explanation was made about a year and a half after the admission. The Court required a prompt, credible and supported retraction, and accepted the Tribunal's reliance on the building's existence and absence of material showing investment by other partners.

Source: PDF pp.8–14, paras 9–12

03 JUDICIAL DECISION

The questions were answered for Revenue. The assessee's appeal was dismissed without costs.

Source: PDF p.14, para 13

04 OUTCOME / IN WHOSE FAVOUR

The Tribunal's restoration of the Rs.1.5 crore section 69 addition remained intact.

Source: PDF p.14, paras 12–13

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

A return and a reasoned retraction perform different functions: The Court rejected the proposition that filing a return inconsistent with the search admission automatically withdrew that admission. A retraction had to address why the earlier statement was wrong and be supported by credible material. The practical distinction is between declaring an income figure and directly explaining, with evidence, the facts previously admitted. (PDF pp.10–12, paras 10–11)

An admission is important but not irrebuttable: The judgment quotes the principle that an admission is not conclusive and can be shown to be incorrect. The taxpayer failed on the timing and evidentiary quality of this attempted retraction. The decision should not be reduced to a rule that every search statement conclusively establishes taxable income, or that coercion was proved here; coercion appears as a possible ground requiring support. (PDF pp.11–13, paras 11–12)

The individual-versus-firm explanation needed investment evidence: The statement expressly attributed Rs.1.5 crore to the individual. The Court accepted the Tribunal's view that the physical hall and absence of material showing other partners' investment supported that admission. In a comparable dispute, the funding and partnership records must answer the specific attribution; existence of a building alone would not explain who made an unexplained investment. (PDF pp.9–10,13–14, paras 9–12)

Source: PDF pp.10–12, paras10–11

SOURCE & VERIFICATION

High Court of Karnataka official judgment PDF - AKHB Repository (20260618_KAHC010123392025.pdf)

Complete 14-page original read and every page visually reviewed; source bytes verified. Commentary is editorial analysis of this order, not current-law clearance.

Full original and all five note panels re-reviewed on 21 October 2026; unsupported supplied assertions removed.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Only provisions expressly stated in this order are indexed. Subsequent treatment and current law have not been independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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