The Pr. Commissioner of Income-Tax, Central & Anr. v. Bileshivale Muddanna Govardhana Murthy

Income Tax Appeal No. 141 of 2026

2026:KHC:48520-DB | 2026-09-08

Section 2(47)(v) / section 53A Transfer of Property Act & section 153A: LTCG additions of Rs. 79.61 lakh and Rs. 17.51 crore on ancestral HUF land under a Joint Development Agreement deleted where subsequent civil court partition decree allotted the JDA land to other family members and assessee's unconverted agricultural share remained untransferred.

Income-tax Act, 1961: sections 2(47), 132, 153A and 260A; Transfer of Property Act: section 53A

High Court of Karnataka | 2-judge bench (Division Bench) | Vibhu Bakhru, CJ. | K. S. Hemalekha, J.

Assessment years: 2013-14

No general retrospective-cancellation rule

The Court accepted the supported finding that this assessee had not transferred a capital asset. It did not hold that any later partition decree or fresh JDA automatically reverses an earlier completed transfer.

01 FACTS OF THE CASE

Following a search under section 132 on 01.10.2013 in connection with the Telecom Employee Co-operative Housing Society Ltd. Group, a notice under section 153A was issued on 05.11.2014 to the respondent, Bileshivale Muddanna Govardhana Murthy. For AY 2013-14, the Assessing Officer made additions of Rs. 79,61,430 (in respect of 14.5 guntas in Survey No. 69/2, Bileshivale Village) and Rs. 17,51,16,294 (in respect of 7 acres 31.5 guntas across various survey numbers) towards long-term capital gains on the premise that a Joint Development Agreement (JDA) executed by the assessee and family members constituted a 'transfer' under section 2(47)(v) read with section 53A of the Transfer of Property Act, 1882, and also added Rs. 7,75,000 by treating disclosed agricultural income as income from other sources. The CIT(A) affirmed the additions, but the ITAT Bengaluru (order dated 05.03.2026 in ITA No. 2192/Bang/2025) deleted them.

Source: Paragraphs 1-5; PDF pp. 2-4

02 DISCUSSION BY THE HON'BLE COURT

Affirming the Tribunal's order, the Division Bench noted that the subject lands were ancestral properties belonging to a Hindu Undivided Family (HUF). First, the documents relied upon by the AO did not evidence an operative transfer in AY 2013-14 because a subsequent agreement had been executed, which would have been unnecessary if transfer had already taken place under the earlier agreement. Second, in a civil suit for partition of the joint family properties before the II Additional Senior Civil Judge, Bangalore (Rural), a final decree dated 13.07.2019 was passed under which the land forming the subject matter of the JDA fell to the share of other family members and not to the share of the assessee, while the assessee continued to hold the unconverted agricultural land allotted to his share. As these factual findings were supported by cogent material and were not perverse, no substantial question of law arose.

Source: Paragraphs 6-11; PDF pp. 4-7

03 JUDICIAL DECISION

Holding that no substantial question of law arose for consideration under section 260A, the High Court dismissed Income Tax Appeal No. 141 of 2026 at the admission stage.

Source: Paragraphs 10-11; PDF pp. 6-7

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee (Bileshivale Muddanna Govardhana Murthy). The Revenue's appeal was dismissed, affirming the deletion of the Rs. 79,61,430 and Rs. 17,51,16,294 LTCG additions and the Rs. 7,75,000 agricultural income addition for AY 2013-14.

Source: Paragraphs 10-11; PDF pp. 6-7

05 EXPERT COMMENTS

Map the taxpayer's parcel and share — The decisive ownership finding was that the JDA land fell to other family members under the final decree, while the assessee retained his share. Reconcile the JDA schedules, survey numbers, family ownership and decree allotments. Identify both the person assessed and the parcel allegedly transferred.

Use the complete documentary sequence — The Tribunal inferred from the later agreement and surrounding documents that the earlier documents did not evidence transfer. The High Court accepted that supported factual finding. Examine earlier rights, possession and subsequent events together. A fresh document does not necessarily erase accrued tax.

Distinguish agricultural character from income proof — The judgment notes that the retained land had not been converted from agricultural use and dismisses Revenue's agricultural-income challenge with the appeal. Keep land status and evidence of actual income distinct; this result does not establish automatic acceptance of agricultural receipts.

Meet a factual appeal with the record supporting the finding — Revenue expressly questioned whether the later decree could negate an earlier transfer. The Court answered through its conclusion that the no-transfer finding was supported and not perverse, without an abstract construction of every JDA clause. For reliance, identify the comparable documents and factual findings; citing this dismissal alone cannot resolve materially different transfer terms.

Source: Editorial analysis; own paras.2.3–11; PDF pp.3–7

SOURCE & VERIFICATION

High Court of Karnataka official digital judgment PDF - AKHB Cloud Repository

Seven-page oral judgment; own paragraphs 1–11 on PDF pp.2–7. Fact-based dismissal at admission, including the agricultural-income challenge.

All 7 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

STATUTORY SCOPE

AY 2013–14. Section 2(47)(v) appears in Revenue's proposed question; Court upheld the factual no-transfer finding. Sections 10(1) and 45 are not expressly analysed in this source.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment not 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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