The Pr. Commissioner of Income-Tax, Central & Anr. v. M/s. Atria Wind (Kadambur) Pvt. Ltd.

Income Tax Appeal No. 139 of 2026

2026:KHC:49082-DB | 2026-09-09

Firm-to-company succession: pre-succession transactions did not breach section 47(xiii)(a)/(c) on the accepted facts; section 153A challenge also failed for want of incriminating material.

Income-tax Act, 1961: sections 45, 47(xiii) provisos (a) and (c), 80-IA, 132, 143(1), 143(3), 153A and 260A

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

Assessment years: 2018-19

Two grounds; no blanket immunity for document categories

The Court accepted transfer of all business assets and liabilities at succession and no non-share consideration on conversion. It also found these particular seized documents non-incriminating. Rs.14,99,89,081 is assessed total income, not a separately quantified capital-gains addition.

01 FACTS OF THE CASE

Atria operated a 50 MW wind project in Tamil Nadu and succeeded Perpetual Investments on 27 March 2017. Before succession, the firm sold ACT shares on 6 May 2016 and partners withdrew capital and changed their shares. For AY 2018–19, the return was processed under section 143(1) on 17 May 2019. Following the 17 December 2020 search, the AO assessed total income of Rs.14,99,89,081 on 30 March 2022 under sections 153A/143(3), denying section 80-IA benefit because the succession allegedly breached section 47(xiii). CIT(A) and the ITAT rejected that position. Revenue appealed the ITAT's 8 October 2025 order in ITA 1023/Bang/2025.

Source: Own paras.2–10; PDF pp.2–7

02 DISCUSSION BY THE HON'BLE COURT

The accepted finding was that every business asset and liability standing on 26 March 2017 passed to the company at succession the next day. Partners received shares in lieu of their immediately preceding interests, with no allegation of other conversion consideration or benefit. Prior withdrawals and transactions did not breach the disputed provisos(a)/(c) on these facts. Separately, the Court found the particular resolutions, NOCs, solicitor note and valuation/constitution documents arose in ordinary activity and were not incriminating. It sustained the application of Abhisar Buildwell to the section 153A proceedings.

Source: Own paras.10–16; PDF pp.7–10

03 JUDICIAL DECISION

Holding that no substantial question of law arose in the appeal, the High Court dismissed Income Tax Appeal No. 139 of 2026.

Source: Paragraphs 17-18; PDF p. 10

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal failed on the succession issue and the absence of incriminating material. The favourable appellate order remained intact. The source identifies Rs.14,99,89,081 as total assessed income; it does not provide a separate final capital-gains computation or a quantified section 80-IA deduction in this judgment.

Source: Own paras.5,8–9,14–18; PDF pp.4–5,9–10

05 EXPERT COMMENTS

Reconcile the succession cut-off — The central finding compares the firm's business assets and liabilities immediately before succession with those received by the company. Retain the closing schedule, opening company records and supporting financial statements. Earlier disposals do not replace that reconciliation: the Court accepted continuity of the assets and liabilities actually standing at the cut-off.

Keep consideration separate from earlier withdrawals — The Court found no allegation of non-share consideration on conversion and accepted shares allotted against the preceding partnership interests. Its treatment of earlier withdrawals concerns the disputed provisos(a)/(c). Do not present this as clearance of every possible succession condition or of every prior transaction; identify the timing and substance of each payment and allotment.

Read the seized document, not just its title — These resolutions, notes and reports were found non-incriminating in the factual setting. A document's label alone does not make it universally harmless. For a comparable search dispute, explain its contents, relationship to the addition and why it evidences ordinary disclosed activity rather than an adverse undisclosed fact.

Preserve the independent search ground — The Court sustained both merits findings and the absence of incriminating material under Abhisar Buildwell. Keep the assessment history, search inventory and merits evidence separately traceable so one argument is not mistaken for the other. The order is not an exemption from all search assessments or a finding on the tax treatment of every pre-succession disposal.

Source: Editorial analysis; own paras.5,9–18; PDF pp.4,6–10

SOURCE & VERIFICATION

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

Ten-page judgment; own paragraphs 1–18 on PDF pp.2–10, including an ITAT extract in paragraph 9. Both succession merits and search-material grounds addressed.

All 10 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

Applies sections 47(xiii) (provisos (a) and (c)), 80-IA and 153A of the Income-tax Act, 1961 for AY 2018-19. Income-tax Act, 2025 equivalence is not verified.

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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