

The Correspondence, RBANMS Educational Institution v. B. Gunashekar & Another

Civil Appeal No. 5200 of 2025 / SLP (Civil) No. 13679 of 2022

[2025] 5 S.C.R. 94 : 2025 INSC 490 | 2025-04-16

Whether an agreement-holder without possession could maintain a bare injunction suit against an independently claiming, long-possessing educational institution and whether the plaint should be rejected under Order VII Rule 11(a) and (d) CPC; additionally, what reporting and verification measures should follow claims of large cash consideration.

269ST | 271DA

Two-judge bench | J.B. Pardiwala, J. | R. Mahadevan, J.

Assessment years: See the source-scope notes; no year inferred.

01 FACTS OF THE CASE

RBANMS, established in 1873 as a public charitable educational trust, had possessed the disputed Bengaluru property since a 1905 lease and a 1929 conveyance. The respondents sued in O.S. 25968/2018 to restrain it from creating third-party interests. They relied on an agreement to sell dated 10 April 2018 with Maheshwari Ranganathan and others, to which the institution was not a party, for a stated total consideration of Rs 9 crore and an asserted cash advance of Rs 75 lakh. The proposed vendors were not impleaded. The plaintiffs acknowledged the institution's possession but claimed that it was manipulating title documents. The institution applied under Order VII Rule 11(a) and (d) CPC, arguing that an agreement to sell conveyed no interest enforceable against it. After an earlier rejection and High Court remand, the Trial Court again rejected the application on 11 June 2021, and the Karnataka High Court dismissed the revision on 2 June 2022. The Supreme Court had stayed further suit proceedings. The plaintiffs maintained that only their plaint could be examined at this stage and that their claim should proceed to trial; the institution disputed their standing and the legal sufficiency of the pleaded cause of action.

Source: [reported rendition / paragraphs 2-13 / PDF pages 5, 6, 7, 8, 9, 10 / judgment](#); [official signed judgment / paragraphs 2-13 / PDF pages 1, 2, 3, 4, 5, 6, 7, 8, 9 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court applied the Order VII Rule 11 test to a meaningful reading of the plaint with its foundational documents. A defendant's merits defence is not evidence for this purpose, but a court need not allow legally untenable claims or an illusory cause of action to proceed merely because facts are artfully pleaded. It relied on Dahiben and related authority for rejection where the pleaded claim itself discloses no enforceable right or is barred by law (paragraphs 14-15, 17).

Section 54 of the Transfer of Property Act provides that an agreement to sell does not itself create an interest in or charge on property. Section 53A protection is conditional and does not give an agreement-holder an independent title against a third party such as this institution. The Court identified the absence of privity, non-joinder of proposed vendors, the plaintiffs' lack of possession and enforceable personal interest, absence of an appropriate declaration where title was genuinely in dispute, and defects in the property-identification pleading. It treated the proposed purchasers' remedy, if any, as one against their vendors, including specific performance in appropriate proceedings. The quotation from K. Basavarajappa concerned an agreement-holder's standing in a tax-recovery auction; this case did not itself adjudicate such an auction. The Court concluded that the present suit was barred and its purported cause of action fictitious. It also criticized the speculative litigation against a charitable educational institution, while declining to impose the exemplary costs it considered and warning against future abuse (paragraphs 15.1-18).

Paragraph 18.1 separately addressed the claimed Rs 75 lakh cash payment. It described section 269ST's anti-black-money purpose and the equal-receipt penalty contemplated by section 271DA, expressly noting that action under those provisions is against the recipient while plaintiffs also bear an onus to disclose their cash source. The Court quoted the 2017 Budget speech and Bill memorandum, then distinguished the proposed Rs 3 lakh figure from the enacted Rs 2 lakh threshold. That historical quotation also mentions exceptions and the exclusion of section 269SS-type transactions. It does not resolve their application to particular taxpayers in this case. Although the Court described the pleaded payment as suspicious and a violation of law, the operative directions require verification of a violation, if any, and due process.

Those directions are substantive and must not be reduced to a passing reference. (A) Courts must report suits claiming cash payments of Rs 2 lakh or more towards any transaction to the jurisdictional Income Tax Department for verification, including whether section 269ST was violated. (B) The tax authority must take appropriate steps following due process upon receiving such information from court or otherwise. (C) A Sub-Registrar must report documents presented for registration that claim cash consideration of Rs 2 lakh or more for conveyance of immovable property, with tax action again subject to due process. (D) When tax authorities learn of qualifying immovable-property consideration from other sources or search/assessment proceedings and the registering authority failed to report, that failure is to be brought to the State/UT Chief Secretary for appropriate disciplinary action. These are the judgment's directions, not proof that any later report, assessment, penalty or disciplinary

02 DISCUSSION BY THE HON'BLE COURT

proceeding actually occurred.

Source: [reported rendition / paragraphs 14-15.2.5 / PDF pages 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28 / judgment](#); [reported rendition / paragraphs 16-18 / PDF pages 28, 29 / judgment](#); [reported rendition / paragraphs 18.1 / PDF pages 30, 31, 32, 33 / judgment](#); [official signed judgment / paragraphs 15.2.1; 18.1 / PDF pages 22, 23, 28, 29, 30, 31, 32 / judgment](#)

03 JUDICIAL DECISION

The appeal was allowed. The Karnataka High Court order dated 2 June 2022 and Trial Court order dated 11 June 2021 were set aside, the Order VII Rule 11(a) and (d) application was allowed, and the plaint in O.S. 25968/2018 was rejected. There was no remand for trial. Paragraph 20(v) directed communication of paragraph 18.1 to the district judiciary, registration officials and jurisdictional income-tax officers by High Court Registrars, State/UT Chief Secretaries and the Principal Chief Commissioner of Income Tax respectively, to facilitate periodical audit. Paragraph 21 directed the Registrar (Judicial) to circulate the judgment for strict compliance. Each party was to bear its own costs throughout; pending miscellaneous applications were disposed of.

Source: [reported rendition / paragraphs 19-21 / PDF pages 33, 34 / judgment](#); [official signed judgment / paragraphs 19-21 / PDF pages 32, 33 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Appellant educational institution on the civil dispute; adverse to respondent-plaintiffs

Appeal allowed; lower-court refusals reversed; plaint rejected; cash-reporting and due-process enforcement directions issued; parties bear own costs

Final threshold rejection of the plaint on legal maintainability and cause-of-action grounds, not a trial adjudication of tax liability

No assessment, quantified tax penalty or automatic transaction-nullity order. Reporting and verification of a section 269ST violation, if any, remain distinct from the civil basis for rejecting this plaint.

Source: [reported rendition / paragraphs 20-21 / PDF pages 33, 34 / judgment](#); [official signed judgment / paragraphs 20-21 / PDF pages 32, 33 / judgment](#)

05 AKHB REVIEW POINT

Review both the civil pleading and the cash trail. An agreement-holder should identify the actual enforceable right, the proper defendant, possession, any genuine cloud over title and the appropriate relief; the tax issue does not replace those requirements. For a claim involving cash consideration, retain source and receipt evidence and expect the reporting mechanism described in paragraph 18.1. A report is a trigger for lawful verification, not an automatic assessment or section 271DA penalty. Check the applicable statutory version, recipient, aggregation and exceptions, including the relationship between sections 269ST and 269SS, before drawing a tax conclusion. The Rs 3 lakh amount in the quoted Budget/Bill materials was a proposal, not the enacted threshold identified by the Court. Preserve the distinction between the alleged Rs 75 lakh advance and Rs 9 crore contractual consideration. The verified judgment date is 16 April 2025. No current-law or later-treatment certification, or automatic mapping to the Income-tax Act, 2025, is supplied.

Source: [reported rendition / paragraphs 5; 15.2.1; 18-21 / PDF pages 6, 25, 29, 30, 31, 32, 33, 34 / judgment; official signed judgment / paragraphs 18.1; signed date / PDF pages 28, 29, 30, 31, 32, 33 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

269SS; 206C; Second Schedule rules 16(1), 48, 51 and 60

PROVISION-SPECIFIC SCOPE

1.

Provision: Income-tax Act, 1961, section 269ST

Role: Substantive cash-receipt restriction considered in relation to the alleged consideration and foundation for operative court/registration reporting and tax verification directions

Paragraphs: 15.2.1; 18.1; 20(v); 21

2.

Provision: Income-tax Act, 1961, section 271DA

Role: Penalty consequence discussed, with action directed at the recipient and due process required; no quantified penalty order made

Paragraphs: 15.2.1; 18.1

3.

Provision: Income-tax Act, 1961, section 269SS

Role: Mentioned in the quoted Finance Bill 2017 memorandum as transactions excluded from proposed section 269ST; not separately adjudicated

Paragraphs: 18.1, quotation

4.

Provision: Income-tax Act, 1961, section 206C

Role: Historical consequential jewellery TCS amendment inside the quoted Finance Bill memorandum; no TCS issue decided

Paragraphs: 18.1, quotation

5.

Provision: Income-tax Act, 1961, Second Schedule rules 16(1), 48, 51 and 60

Role: Tax-recovery auction context within the quotation from K. Basavarajappa; relied on for an agreement-holder's lack of property interest, not a fresh recovery-rule decision

Paragraphs: 15.2.2, quotation

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R. Mahadevan, J.

OTHER GOVERNING ACTS

Code of Civil Procedure, 1908; Transfer of Property Act, 1882; Specific Relief Act, 1963; Registration Act, 1908; Indian Contract Act, 1872; Constitution of India

RELEVANCE TO INCOME-TAX ACT RESEARCH

Substantive Income-tax Act application or directions within non-tax litigation

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported rendition\)](#)

Identified source rendition: 34 PDF pages; SHA-256
3b7f33f5a75b36497de56ff3a0c2b4e43593704088e6156b0a3d3bc66852197f. Original bytes preserved.

[Open cited source rendition](#)

Verified date correction: frozen metadata says 15 April 2025; the SCR cover and official signed closing page both say 16 April 2025.

Caption The Correspondence is retained as printed in both renditions; it is not silently changed to Correspondent.

The frozen index marks J.B. Pardiwala with an author asterisk; the SCR cover and original judgment expressly identify R. Mahadevan as author.

The alleged Rs 75 lakh payment is an advance against the Rs 9 crore consideration in paragraph 5. Paragraph 15.2.1 calls Rs 75 lakh the entire consideration, but paragraph 18 again identifies only part consideration. This note preserves the factual distinction rather than silently replacing the total price.

The 2017 Bill memorandum proposed Rs 3 lakh; the judgment expressly identifies enactment at Rs 2 lakh. Proposal text, contextual section 206C, section 269SS exclusion and operative directions are separately identified.

The Court itself uses language of violation, but its operative verification-if-any and due-process qualifications are retained; no final section 271DA levy is inferred.

Tax-recovery rules appear inside K. Basavarajappa precedent, not as operative recovery provisions governing this appeal.

Full judicial text, including long quotations, has been read; reporter headnotes and final editorial Result line have been separated. No neighbouring case contaminates the asset.

Both citations printed on the SCR cover; neutral citation printed on the official original.

No assessment year is stated or adjudicated. The 10 April 2018 agreement and 1 April 2017 legislative commencement are dates, not assessment-year findings.

Civil Appeal 5200/2025 arises from SLP (C) 13679/2022, identified on the official original cover.

Date conflict resolved: the frozen source index records 15 April 2025, but the SCR cover states 16 April 2025 and the official original closes APRIL 16, 2025 on physical page 33. The official PDF cover also bears a 16 April 2025 digital-signature timestamp; cryptographic validity was not independently tested. The judicial date controls.

STATUTORY SCOPE

The Income-tax Act, 1961 provisions as discussed in the judgment; no independent consolidated current-statute audit

No automatic mapping to the Income-tax Act, 2025 or certification of current compliance requirements.

LATER TREATMENT

Source checked 2026-10-04. Subsequent review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. This note is not a citator status certificate.

IDENTIFIED SOURCE LINKS

[reported rendition - Physical PDF page 1 - PDF pages: 34](#)

SHA-256: 3b7f33f5a75b36497de56ff3a0c2b4e43593704088e6156b0a3d3bc66852197f

[official signed judgment - PDF pages: 33](#)

SHA-256: 62c1a6131bd64117cab7ec8161945447b8042748bb956734a4f580d215ab2a34

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