



CNR: KAHC010542122026

NC: 2026:KHC:48520-DB
ITA No. 141 of 2026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 8TH DAY OF SEPTEMBER, 2026

PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

THE HON'BLE MRS. JUSTICE K.S. HEMALEKHA

INCOME TAX APPEAL NO.141 OF 2026

BETWEEN:

1. THE PR. COMMISSIONER OF INCOME-TAX,
CENTRAL,
3RD FLOOR, C.R. BUILDING,
QUEEN'S ROAD,
BENGALURU-560 001.
2. THE DY. COMMISSIONER OF INCOME-TAX,
CENTRAL CIRCLE-1(2) ,
3RD FLOOR, C.R. BUILDING
QUEEN'S ROAD,
BENGALURU-560 001.

...APPELLANTS

(BY SRI. RAVI RAJ Y.V., ADVOCATE)

AND:

BILESHIVALE MUDDANNA
GOVARDHANA MURTHY
NO.96, BILESHIVALE, BIDARAHALLI HOBLI,
DODDAGUBBI POST,
BENGALURU-562 149.

...RESPONDENT

THIS ITA IS FILED UNDER SECTION 260A OF THE INCOME
TAX ACT, 1961 PRAYING TO ALLOW THE APPEAL AND SET ASIDE
THE ORDERS PASSED BY THE INCOME-TAX APPELLATE
TRIBUNAL, BENGALURU IN ITA NO.2192/BANG/2025 DATED



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05.03.2026 FOR ASSESSMENT YEAR 2013-14 ANNEXURE-A AND CONFIRM THE ORDER OF THE APPELLATE COMMISSIONER CONFIRMING THE ORDER PASSED BY THE DY.COMMISSIONER OF INCOME TAX, CENTRAL CIRCLE-1(2), BENGALURU.

THIS APPEAL, COMING ON FOR ADMISSION, THIS DAY, JUDGMENT WAS DELIVERED THEREIN AS UNDER:

CORAM: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE
and
HON'BLE MRS. JUSTICE K.S. HEMALEKHA

ORAL JUDGMENT

(PER: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE)

1. The Department has filed the present appeal under Section 260A of the Income Tax Act, 1961 [**Act**] impugning the order dated 05.03.2026 passed by the learned Income Tax Appellate Tribunal [**Tribunal**] in ITA No.2192/Bang/2025.

2. Briefly stated, the facts giving rise to the present appeal are as under:

2.1 A search was conducted under Section 132 of the Act in the case of the respondent [**assessee**] on 01.10.2013 in connection with M/s. Telecom Employee Co-operative Housing Society Ltd. Group.

2.2 Thereafter, the Assessing Officer [**AO**] issued a notice under Section 153A of the Act on 05.11.2014, requiring the



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assessee to file a return of income. The assessee sent a letter requesting that its original return of income be treated as a return filed in response to said notice.

2.3 The AO framed the assessment for the Assessment Year [**AY**] 2013-2014, *inter alia*, making an addition on account of long-term capital gains arising from the transfer of 14.5 guntas of land in Survey No.69/2 located in Bileshivale Village, Bidarahalli Hobli, Bangalore East Taluk and the transfer of 7 acres 31.5 guntas of land owned by the assessee and his family members in various surveys numbers.

2.4 In respect of the land measuring 14.5 guntas, an addition of ₹79,61,430/- was made towards long-term capital gains, while an addition of ₹17,51,16,294/- was made towards long-term capital gains in respect of the transfer of 7 acres 31.5 guntas of land. In addition, the AO made an addition of ₹7,75,000/- by treating the agricultural income disclosed by the assessee as income from other sources.

2.5 The said addition was premised on the basis that the assessee had entered into a Joint Development Agreement [**JDA**], which, according to the AO, constituted a transfer of the



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capital asset. Since the property in question was jointly held, the AO determined the capital gains attributable to the assessee based on his share in the property.

3. The assessee preferred an appeal before the learned Commissioner of Income Tax (Appeals), Bengaluru [**CIT(A)**], *inter alia*, contending that the agreements relied upon by the AO did not constitute a transfer of the capital asset.

4. The learned CIT(A) did not accept the said contention and found that the capital asset, namely, the subject land, had been transferred within the meaning of Section 2 (47) of the Act, as well as Section 53A of the Transfer of Property Act, 1882.

5. Aggrieved by the said decision, the assessee preferred an appeal to the learned Tribunal. The learned Tribunal found that the subject land was ancestral land belonging to a Hindu Undivided Family [**HUF**] of which the assessee was a member.

6. After examining the facts and documents relied upon by the AO to conclude that the land had been transferred, the learned Tribunal concluded that the said documents did not evidence any transfer of the capital asset. The Tribunal reasoned that a



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subsequent agreement had been executed, which would not have been necessary if the land had already been transferred pursuant to the earlier agreement.

7. More importantly, the Tribunal noted that a civil suit for partition of the joint property had been filed before the II Additional Senior Civil Judge, Bangalore (Rural) and a final decree dated 13.07.2019 had been passed. It found that the land which was subject matter of the Joint Development Agreement – which was construed as one of the documents evidencing the transfer of the subject land and resulting in a capital gains – fell to the share of the other members of the family and not to the share of the assessee. Thus, insofar as the assessee is concerned, he continued to hold his share of the lands in question.

8. The finding that there was no transfer of any capital asset is a finding of fact, which is duly supported by cogent reasons and material on record. There is no dispute as to the fact that the assessee continues to hold the land falling to his share by virtue of the final decree dated 13.07.2019 rendered in the context of disputes between the assessee and other joint owners of the lands in question. It was also found that the subject land owned by the



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assessee had not been converted from agricultural land to any other purpose.

9. In the given facts, the Department has projected the following questions for consideration:

1. "Whether on the facts and in the circumstances of the case, the Tribunal is right in law in deleting the Long-Term Capital Gain (LTCG) addition given that the developer was granted complete control to enter, develop, market and sell property which constitutes a "transfer" under section 2(47)(v)?
2. Whether on the facts and in the circumstances of the case, the Tribunal failed to appreciate that a transfer for capital gains purposes can occur before a registered sale deed if the developer is positioned to exercise ownership rights?
3. Whether the Tribunal failed to appreciate that the subsequent civil court decree and fresh JDA (executed years later) can retroactively negate the "transfer" and accrual of income that occurred upon the execution of the original agreements and handing over of possession during the relevant assessment year?
4. Whether on the facts and in the circumstances of the case, the Tribunal is right in law in deleting the additions of agricultural income treated as income from other sources in the absence of any contrary evidence and discharge of burden of proof by the assessee?"

10. We find that the said findings of fact are not perverse and cannot be said to be unsupported by any material on record.



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11. In our view, no substantial question of law arises for consideration in the present appeal. The appeal is, accordingly, dismissed.

**Sd/-
(VIBHU BAKHRU)
CHIEF JUSTICE**

**Sd/-
(K.S. HEMALEKHA)
JUDGE**