

**Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes**

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PRESS RELEASE

**Income Tax Department conducts searches on two real estate groups of
Bengaluru and Hyderabad**

Income Tax Department carried out search and seizure operations on two leading real estate groups of Bengaluru and Hyderabad, engaged in the business of construction/sale/leasing of commercial/residential space, and educational and hospitality services. The search action covered more than 40 premises located in Bengaluru, Hyderabad and Chennai.

During the course of the search operations, several incriminating documents and digital evidences have been seized. The preliminary analysis of seized evidences has revealed that the land owners had entered into Joint Development Agreement (JDA) with a Bengaluru-based developer. They have received super built-up area from developer in lieu of the land given to the developer for the development of various projects. However, the land owners failed to declare the capital gains accruing from the transaction, though completion certificates for the projects have been obtained. The amount of such undisclosed capital gains is estimated at more than Rs. 400 crore.

The initial analysis of the seized documents has also revealed that these groups have suppressed income to the tune of Rs. 90 crore in respect of the revenue recognizable from the sale of units in real estate. Further, both the groups have indulged in tax-evasion by inflation of expenses in the construction and development business to the tune of Rs. 28 crore, having claimed bogus purchases and resorted to over-invoicing of the construction materials.

It has also been found that interest-bearing borrowed funds have been diverted to related entities/parties for non-business purposes by the main entities of both the groups. Instances of the transactions involving advances/loans between the group companies have also been found, which partake the character of deemed dividend and hence liable to be taxed as income.

In the case of a trust covered in the search action, it has been found that the trust has failed to utilize, within the specified permissible time limit, the accumulated amount of Rs. 40 crore for the specified purpose as per the objects of the registered trust deed.

So far, the search action has led to the seizure of undisclosed cash of Rs 3.50 crore and gold, silver, jewellery worth Rs. 18.50 crore.

Further investigations are in progress.

(Rakesh Gupta)
Commissioner of Income Tax
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Official Spokesperson, CBDT