

**IN THE INCOME TAX APPELLATE TRIBUNAL
AMRITSAR BENCH, AMRITSAR**

(PHYSICAL HEARING)

**BEFORE DR. M. L. MEENA, ACCOUNTANT MEMBER
AND SH. UDAYAN DASGUPTA, JUDICIAL MEMBER**

I.T.A. No. 236/Asr/2024
Assessment Year: 2017-18

Harbans Singh,
P.O. Khera Dona,
Punjab 144 620

[PAN: GIZPS 7573H]

(Appellant)

Vs.

Income Tax Officer,
BSNL Exchange Colony,
Kapurthala

(Respondent)

Appellant by : Sh. Rajnish Mohindra, Adv.

Respondent by : Sh. Charan Dass, Sr. D.R.

Date of Hearing : 22.09.2025

Date of Pronouncement : 26.09.2025

ORDER

Per Udayan Dasgupta, J.M.:

This appeal is filed by the assessee against the order of the Id. Addl./JCIT(A)-7, Mumbai dated 26.02.2024 passed u/s 250 of the Income Tax Act, 1961 which has emanated from the order of the AO, CPC passed u/s 143(1) of the Act, 1961 dated 26.09.2018.

2. There are two grounds of appeal taken by the assessee, both relating to the issue of interest received on enhanced compensation arising on compulsory acquisition of agricultural lands.
3. The brief facts arising from record are that the assessee has received interest of an amount of *Rs.32.46 lakhs* from Land Acquisition officer which has arisen on compulsory acquisition of rural agricultural lands by the Government, as enhanced compensation as part of compulsory acquisition, which has been claimed by the assessee as exempted income *u/s 10 (37)* of the Act 61.
4. The return filed by the assessee declaring taxable income at NIL, has been assessed *u/s 143(1)*, on a total income of *Rs.32.46 lakhs* by CPC, Bangalore, treating the interest received as “*income from other source*”.
5. The matter carried in first appeal by the assessee claiming exemption *u/s 10(37) of the Act 61*, on the ground that the interest received is a part of the compensation which is exempt *u/s 10(37)* of the Act, has been dismissed by the Ld. first appellate authority, relying on the law laid down by the Hon’ble jurisdictional High Court in the case of *Mahender Pal Narang v CBDT , New Delhi [2020] (423 ITR 13)/316 CTR 906* where the Hon’ble court has observed that interest received on compensation or enhanced compensation was to be treated as income from other sources , and not under the head ‘Capital gains.

6. However, the Ld. first appellate authority after considering the amount of *Rs.32.46 lakhs* received by the assessee as interest on compensation / or enhanced compensation, has considered the same to be taxable under the head “*income from other sources*” u/s 56(2)(viii) and has judiciously allowed the deduction of a sum equal to fifty percentage of such income , allowable u/s 57(iv) of the Act 61 and the addition was restricted to *Rs. 16.44 lakhs*.

7. Now, the assessee is in appeal before the Tribunal with the claim that the interest portion received on compensation is to be treated as income from capital gains and not income from other sources, and he relied on the decision of the Hon’ble Kerala High Court in the case of *Sh. Anvar Ali Poolakkodan v. ITO, Ward-1, Tirur in ITA No. 60 of 2024 dated 11th April, 2025* where the Hon’ble Court while analyzing the provisions relating to interest amounts received by assessee in respect of delay payment of compensation under the *Land Acquisition Act* has held that the same will be treated as accruals to the principal compensation amount and be classified as capital gains for the purpose of Income Tax Act.

8. The Court has further held that the consequential interest amount will also get the benefit of section 10(37) of the Act if the land compulsorily acquired is agricultural land. The Id. AR of the assessee prayed that the interest amount received may be treated as accruals to the principal compensation and be classified as capital gains which will be qualified for deduction u/s 10(37).

9. Per contra, the Id. DR relied on the order of the Id. first appellate authority and has relied on the judgment of the Hon'ble jurisdictional High Court in the case of *Mahender Pal Narang v. Central Board of Direct Taxes* dated 19th February, 2020 (supra) where it has been held that the interest received on compensation or enhanced compensation is to be treated as income from other sources and not under the head capital gains.

10. The Id. D.R. further pointed out that the department preferred an SLP to appeal against the judgement of *Hon'ble Punjab & Haryana High Court* in the aforesaid case where the Court held that *section 10* deals with deductions and *clause (37)* thereof deals with capital gains arising from transfer of agricultural land and it nowhere provides as to what is to be included under the head 'Capital gains.' The SLP has been dismissed by the Hon'ble Apex Court. Thus, interest received on compensation or enhanced compensation was to be treated as income from other sources and not under the head capital gains.

11. Respectfully, following the decision of the *Hon'ble jurisdictional High Court*, we are of the opinion that interest on enhanced compensation on compulsory acquisition of agricultural land will be treated as income from other sources and not under the head capital gains.

12. As such, we uphold the order of the Id. first appellate authority that the interest received on compensation by the assessee on compulsory acquisition of land will form part of the taxable income under the head *income from other sources* and shall be entitled to deduction u/s 57 (iv) of the Act, 1961.

13. In the result, the appeal filed by the assessee is dismissed being devoid of merits.

Order pronounced in the open court as on 26.09.2025

Sd/-
(Dr. M. L. Meena)
Accountant Member

Sd/-
(Udayan Dasgupta)
Judicial Member

GP/Sr.PS

Copy of the order forwarded to:

- (1) The Appellant:
- (2) The Respondent:
- (3) The CIT concerned
- (4) The Sr. DR, I.T.A.T

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By Order