

आयकर अपीलीय न्यायाधिकरण में, हैदराबाद 'ए' बेंच, हैदराबाद

**IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'A' Bench, Hyderabad**

श्री मंजूनाथ जी, माननीय लेखा सदस्य एवं श्री रवीश सूद, माननीय न्यायिक सदस्य

**SHRI G. MANJUNATHA, HON'BLE ACCOUNTANT MEMBER
AND**

SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER

आयकर अपील सं./I.T.A.No.659/Hyd/2025
(निर्धारण वर्ष/ **Assessment Year : 2018-19**)

Mahesh Katragadda Hyderabad PAN : BJFPK4746N (अपीलार्थी/ Appellant)	Vs.	DCIT Central Circle-1(2) Hyderabad (प्रत्यर्थी/ Respondent)
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करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri S.Rama Rao, Advocate, AR
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Shri Mahidar, DR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	10.09.2025
घोषणा की तारीख/Date of Pronouncement	:	30.09.2025

ORDER

प्रति रवीश सूद, जे.एम./PER RAVISH SOOD, J.M.

The present appeal filed by the assessee is directed against the order passed by the CIT(Appeals), NFAC, Delhi, which

in turn arises from the order passed by the A.O. under section 143(3) r.w Section 263 of the Income-tax Act, 1961 (for short, "the Act") dated 31.03.2022 for the assessment year 2018-19.

2. Succinctly stated, the assessee had filed his return of income for A.Y. 2018-19, declaring an income of Rs. 51,41,490/-.

3. Search and seizure operations under section 132 were conducted on 13.12.2017 in the case of M/s Meenakshi Infrastructure Pvt. Ltd., and the assessee, being a director in the said company, was also covered. Thereafter, the case of the assessee was selected for scrutiny assessment under Section 143(2) of the Act.

4. Thereafter, the A.O. framed the assessment vide his order passed under section 143(3) of the Act, dated 31.07.2019, accepting the returned income. Subsequently, on examination of records, the Pr. CIT (Central), Hyderabad, observed that in the sale deed that was executed by the assessee for the purchase of land during the subject year, the declared purchase consideration of Rs.

1,00,00,000/- was lower than the value adopted by the stamp valuation authority of Rs. 1,18,00,000/-. The Pr. CIT holding a conviction that as the A.O. while framing the assessment had lost sight of the aforesaid material fact in the backdrop of applicability of Section 56(2)(x) of the Act, thus, the same had rendered the assessment framed by him as erroneous in so far it was prejudicial to the interest of the revenue under Section 263 of the Act. Accordingly, the Pr. CIT, based on his aforesaid conviction, set aside the assessment order with a direction to the A.O. to reframe the assessment in accordance with law.

5. Thereafter, the A.O., pursuant to the directions of the Pr. CIT framed assessment under section 143(3) r.w. section 263 on 31.03.2022. The Assessing Officer observed that the assessee had purchased an immovable property for Rs. 1,00,00,000/-, whereas the stamp duty value of the same was Rs. 1,18,00,000/-, resulting in a difference of ₹18,00,000/-. Accordingly, the A.O. invoked the provisions of section 56(2)(x) of the Act, and treated the difference

of Rs. 18 lacs as the assessee's income from other sources and added the same to his total income.

6. Aggrieved, the assessee carried the matter in appeal before the CIT(Appeals) but without success.

7. The assessee, being aggrieved with the CIT(A) order, has carried the matter in appeal before us.

8. We have heard the Ld. Authorized Representatives of both parties, perused the orders of the lower authorities and the material available on record.

9. The Ld. A.R has assailed the impugned addition of Rs. 18 lac (supra) made by the A.O, which thereafter has been sustained by the CIT(Appeals), based on his multi-facet grounds, viz. (i) that as the land purchased was agricultural land situated beyond notified municipal limits, and therefore outside the definition of "capital asset" under section 2(14) of the Act, therefore, the provisions of Section 56(2)(x) were not applicable; (ii) that even otherwise, after considering registration charges paid, the impugned difference

between the purchase consideration parted with by the assessee and the stamp duty value is within the permissible tolerance limit of 10% as provided in the “proviso” to section 56(2)(x); and (iv) that as no incriminating material was found during the course of search proceedings, hence no addition could have been made.

10. The learned A.R. at the threshold of hearing of the appeal, submitted that the A.O. had travelled beyond the scope of law in applying section 56(2)(x) of the Act. Elaborating on his contention, the Ld. A.R. submitted that as the assessee had purchased agricultural land located beyond 20 kilometres from Greater Hyderabad Municipal Corporation limits (GHMC limits), therefore, the same is not a “capital asset”, and thus, not a “property” as defined for the purpose of section 56(2)(x). Alternatively, the Ld. A.R. submitted that if registration charges and stamp duty are included in the purchase cost, then the difference falls within the tolerance band of 10%.

11. The learned Departmental Representative (for short, “D.R”), on the other hand, supported the orders of the authorities below. The

Ld. D.R. submitted that section 56(2)(x) applies to “any immovable property” and the scope of the said statutory provision is much wider than the definition of “capital asset” under section 2(14) of the Act. Alternatively, it was submitted by him that, as observed by the A.O., the subject agricultural land is even otherwise within the specified distance (as per the straight line method/crow flight) from the GHMC municipal limits.

12. We have heard the Ld. Authorized Representatives of both parties, perused the orders of the lower authorities and the material available on record and considered the judicial pronouncements.

13. Ostensibly, the primary contention of the assessee is that the subject “agricultural land” is not a capital asset under section 2(14) of the Act and hence, falls outside the scope of section 56(2)(x) of the Act. We are unable to persuade ourselves to accept the said contention. The legislature in all its wisdom has consciously used the expression “any immovable property” in section 56(2)(x) of the Act, which is far wider in scope than the definition of “capital asset”. We are of firm conviction that had it been the legislative intent to

restrict the operation only to capital assets, then the section would have specifically used that term. We, thus, are of the view that the exclusion carved out in section 2(14) for rural agricultural land is not relevant for construing the scope and gamut of section 56(2)(x) of the Act. We may herein observe that the ITAT, Jaipur Bench in Trilok Chand Sain (supra) has dealt with a similar contention and has categorically held that agricultural land is also covered under section 56(2)(vii)(b). The ratio of the said decision squarely applies to the facts of the present case before us. We thus, in terms of our aforesaid deliberations, find no substance in the assessee's contention that the provisions of Section 56(2)(x) do not apply to rural agricultural lands for the reason that the same do not fall within the meaning of "capital asset" under Section 2(14) of the Act.

14. We shall now deal with the Ld. AR's alternative contention that after including registration charges and stamp duty paid, the difference between the total consideration parted with by the assessee for purchasing the subject property and stamp duty valuation falls within the tolerance limit of 10% provided in the

“proviso” to section 56(2)(x). On this aspect, we find that the law envisages a comparison between the consideration declared in the registered instrument and the value adopted by the stamp valuation authority. Incidental expenses incurred by the purchaser, viz. registration charges and stamp duty expense do not form part of the consideration for transfer. We, thus, are unable to concur with the Ld. AR’s contention wherein he has sought for inclusion of the aforesaid costs/expenses, viz. registration charges and stamp duty expenses for comparison against the stamp duty value. Once such costs are excluded, the difference works out to ₹18,00,000/-, which is clearly more than 10% of the purchase consideration as well as more than Rs. 50,000/-. Accordingly, we are of the view that the proviso to section 56(2)(x) does not come to the aid of the assessee.

15. Apropos the Ld. AR’s contention that, as no incriminating material was found during the course of the search proceedings, therefore, the subject addition could not have been made in its case, we find that the same is devoid and bereft of any substance and merit. We say so, for the reason that the impugned addition has not

been made in proceedings under section 153A/153C of the Act, but in regular assessment framed under section 143(3) r.w section 263. Hence, the principle enunciated in Pr. CIT, Central-3 Vs. Abhisar Buildwell (2023) 459 ITR 212 (SC) has no application to the facts of the present case.

16. We thus, in terms of our aforesaid deliberations, finding no infirmity in the view taken by the CIT(A), who has correctly sustained the addition of Rs. 18 lacs (supra) made by the A.O. under section 56(2)(x) of the Act, uphold his order.

17. In the result, the appeal filed by the assessee stands dismissed.

18. Resultantly, the appeal filed by the assessee is dismissed in terms of our aforesaid observations.

Order pronounced U/Rule 34(4) of the Appellate Tribunal Rules, 1963 on 30th September, 2025.

ITA No.659/Hyd/2025
Mahesh Katragadda

Sd/- (मंजूनाथ जी) (MANJUNATHA G.) लेखा सदस्य/ACCOUNTANT MEMBER	Sd/- (रवीश सूद) (RAVISH SOOD) न्यायिक सदस्य/JUDICIAL MEMBER
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Hyderabad, dated 30.09.2025.
*****L.Rama /SPS**

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारिती/The Assessee	:	Shri Mahesh Katragadda, 8-2-293/82/A/839-1, Road No.42, Jubilee Hills, Hyderabad
2.	राजस्व/ The Revenue	:	The DCIT, Central Circle-1(2), Aayakar Bhavan, Basheerbagh, Hyderabad
3.	The Principal Commissioner of Income Tax (Central), Hyderabad		
4.	विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Hyderabad